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## NEWS SUMMARY

### GENERAL

## Iran to open new front in Iraq war

Iran is expected to launch a new offensive against the southern Iraq port of Basra and from the Iranian border town of Kasr-e-Shirin, 90 miles from Baghdad.

Kasr-e-Shirin is at a higher altitude than Baghdad, with what is described as "good, tankable country" between.

Iran is said to hope that Shia Moslems and Kurds on the Iraqi side of the border would give support.

Tehran radio said Iranian forces had killed 5,000 Iraqi soldiers, knocked out 650 tanks and armoured cars and seized 60 square miles of Iraqi territory in the past two weeks. Page 3

### War service

The Queen and other members of the Royal Family attended a Falklands service at St Paul's Cathedral. Picture Page 6. During the Falklands crisis, French Mirages and Super Etendards participated in mock engagements with Royal Navy Harriers to familiarise British pilots with Argentine aircraft. Page 2

### Chemicals hunt

Police hunted children who may be carrying highly-explosive cyanide and magnesium in their satchels after a break-in at a Sherwood Lane, Liverpool, school.

### Inquest appeal

Mr Ron Smith, father of nurse Helen Smith, will ask the Appeal Court tomorrow for an inquest into her death after a party in Saudi Arabia three years ago.

### Sea rescue

Helicopters rescued two men after their fishing boat sank off the Cornish coast near the Eddystone Lighthouse after an explosion on board.

### Belfast trial

Loyalist supergrass Clifford McKeown, 23, started evidence in Belfast County Court against 29 men implicated in crimes allegedly carried out for the outlawed Ulster Volunteer Force.

### Aid cuts

Poor countries were advised to plan for a 20 per cent cut in United Nations Development Programme aid in the next four years because of lower contributions from rich countries.

### World's aged

A UN assembly in Vienna is planning for an "age of ageing" in which, by 2025, 1bn old people — three times as many as in 1975 — will depend on a shrinking workforce.

### YMCA arsenal

A Knoxville, Tennessee, World's Fair employee was arrested after a diagram of an Arkansas nuclear power plant, weapons, explosives, drugs and computer equipment were found in YMCA rooms, the FBI said.

### Sahara move

Polisario guerrillas fighting for the independence of the Rabat-administered former Spanish colony of Western Sahara killed 93 Moroccan troops near Smara, the Algerian Press Agency said.

### Briefly . . .

Flood toll in south-west Japan rose to 230 dead, 89 injured, 133 missing.

Rescuers saved 74 from a burning ship at the entrance to Manila Bay, but 21 are missing.

World Council of Churches urged nuclear states to agree to a nuclear weapons freeze.

Three guards and two convicts were killed in a riot by 150 men at Archambault prison near Montreal.

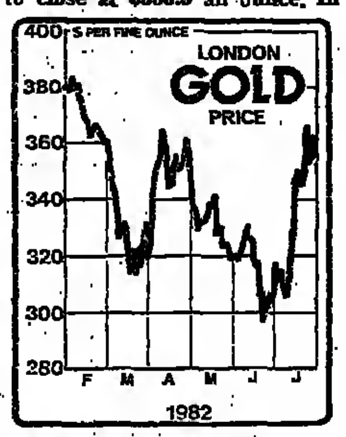
### BUSINESS

## £ and $ rise; gold down

● STERLING rose 10 points to $1.765. It also rose to DM 4.2525 (DM 4.235), FFr 11.83 (FFr 11.77) and to SwFr 3.585 (SwFr 3.565). Its trade-weighted index was 91.2 (91). Page 26

● DOLLAR rose to Y251 (Y249m), DM 2.4035 (DM 2.395) and SwFr 2.03 (SwFr 2.02). Its trade-weighted index was 118.7 (118.3). Page 26

● GOLD fell $10.25 in London to close at $353.5 an ounce. In




New York the Comex July close was $355.3 ($358.8). Page 22

● EQUITIES drifted lower when the announcement of a relaxation of hire purchase controls failed to maintain earlier firmness. The FT 30-Share index closed down 4.9 at 573.5. Page 25

● GILTS eased after profit-taking in spite of further pressure on the major banks to reduce base rates. However, falls at the long end of the market were limited generally to about ¼. The FT Government Securities index closed down 0.38 at 72.28. Hire purchase issues progressed in response to the relaxation of controls. Page 25

● WALL STREET was down 3.13 at 827.44 at 3pm. Page 24

● MORE BANKS have been hit by the closure of a Saudi Arabian money-changing company. Back Page

● CBI leaders failed to persuade Chancellor Sir Geoffrey Howe to meet them before the Parliamentary recess over their fears of another slide into recession. Back Page

● EEC unemployment climbed to 9.3 per cent by the end of June. Page 2

● BRITOIL flotation date will depend on market conditions, Energy Secretary Mr Nigel Lawson said. Page 9

● SWISSAIR reported a record net loss of SwFr 71m (£19.8m) for the first half. Page 20

● BRITISH AIRWAYS is preparing to clear the way for the sale of its profitable subsidiary International Aeradio. Page 6

● McDONNELL DOUGLAS, U.S. aircraft manufacturer, reported net earnings of $98.3m (£55.7m) for the first half, against $8.51bn last year. Page 19

● WHITBREAD reached tentative agreement with Nabisco, U.S. food group, to buy its wine and spirits division for about $155m (£89m). Back Page

● LINFOOD, retailing group, made taxable profits of £11.93m (£8.9m) for the year ended April 24. Page 17; Lex, Back Page

● ARLINGTON MOTOR, reported the first losses in the company's 32-year history in the year ended March 31. It incurred a pre-tax deficit of £90,000 against a profit last year of £94,000. Page 16

● AAH HOLDINGS, fuel, building and pharmaceuticals company, reported pre-tax profits of £8.62m (£9.7m) for the year ended March 31. Page 16

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

| | | |
|---|---|---|
| Assoc. Book Pubs. | 165 | + 18 |
| Barratt Dev. | 300 | + 6 |
| Bibby (J.) | 305 | + 10 |
| Costain | 240 | + 10 |
| Currys | 175 | + 10 |
| Dixons Photographic | 183 | + 8 |
| Duple Intl. | 33 | + 3 |
| Ellis & Everard | 152 | + 5 |
| Hartwells | 60 | + 6 |
| Henlys | 97 | + 6 |
| Hoover A | 80 | + 6 |
| Jourdan (T.) | 76 | + 8 |
| Kleinwort Benson | 234 | + 8 |
| Lloyds Bank | 416 | + 15 |
| Lon. Scot. Finance | 48 | + 8 |
| Merrydown Wine | 134 | + 8 |
| Moorgate Mercantile | 21 | + 3 |
| NatWest Bank | 452 | + 13 |
| Provident Financial | 136 | + 5 |
| Tomkins (F. H.) | 22 | + 2½ |
| Wagon Finance | 48 | + 4 |
| Blandsrand Gold | 170 | + 23 |
| Randfontein Ests. | £27¼ | + ¾ |

FALLS

| | | |
|---|---|---|
| Treas. 13½% 2000-03 | £104¼ | - 1 |
| BAT Inds. | 481 | - 14 |
| Brown (J.) | 43 | - 5 |
| BOC | 96 | - 6 |
| TI | 98 | - 5 |
| Trident TV A | 59 | - 5 |
| Whitbread A | 116 | - 7 |
| BP | 272 | - 4 |

# Government removes all hire-purchase curbs from today

BY PETER RIDDELL, POLITICAL EDITOR

ALL GOVERNMENT hire purchase controls on cars and other consumer goods have been abolished with effect from this morning.

The decision was welcomed yesterday by the motor industry, but the overall impact on the economy is likely to be limited. Hire purchase has had less significance in recent years than other forms of consumer credit, such as that offered by the banks.

Yesterday's move, announced by Lord Cockfield, the Trade Secretary, was presented as part of the policy of "dismantling unnecessary controls in the interests of freeing competition and removing economic distortions."

It is also clearly intended to provide a small boost to industry, especially the motor sector, which has been most affected by the regulations.

Tory MPs, particularly those from the West Midlands, have exerted considerable pressure for a relaxation. The timing is affected by the start of the new Y registration number plates next month.

More assistance for industry will be announced this week. An increase in the number of enterprise zones is expected, together with details of a community work scheme for the unemployed.

The moves are seen in Whitehall as desirable in themselves, but they are being announced piecemeal rather than in an end-of-session package because of their relatively minor impact on the economy.

Sir Geoffrey Howe, the Chancellor, has the delicate task of placating Tory MPs who are restive about the economy while simultaneously stressing the Government's rejection of reflation.

His speech in the Commons unemployment debate this afternoon is not expected to outline any changes in strategy. The Government's priority remains a further reduction in interest rates.

Until yesterday hire-purchase controls required a deposit of one-third for cars, with a maximum repayment term of 24 months.

On other goods, such as con-

Continued on Back Page

### DEALERS IMPOSE OWN RULES

Televisions, refrigerators, and other electrical goods will still carry some deposit and restrictions on repayment period, according to most retailers.

Currys, for example, says that from today its hire purchase terms for televisions and most goods will be 10 per cent deposit and up to three years to pay. Previously, the group's deposit was 20 per cent and the repayment period 2½ years.

Under the old regulations, the HP purchase of a Metro

City costing £3,250 would have required a down payment of £1,083, or one-third, and repayment of the remainder, plus interest, in 24 months.

From today some dealers may offer the same car for a deposit of £650, or 20 per cent, with repayments spread over 48 months.

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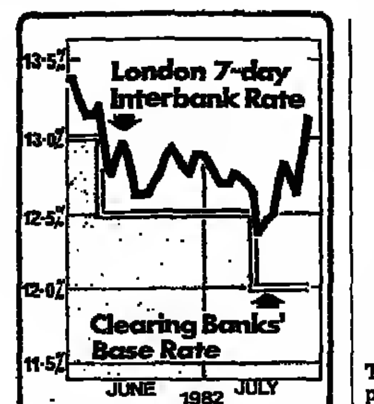


# Two banks in U.S. cut prime rates

By David Lascelles in New York and William Hall in London

TWO LARGE New York banks yesterday cut their prime rates paving the way for what was widely expected to become another general reduction in U.S. rates—the second in just over a week.

Manufacturers Hanover and Chemical Bank reduced their prime rate from 16 per cent to 15½ per cent, and a handful of smaller regional banks followed suit. But other big banks held back, apparently waiting to see where interest rates settle after last week's steep decline in the short-term U.S. money market.

The Fed Funds rate and the rate on Certificates of Deposit —both of which strongly influence the prime rate—have fallen about 2 per cent since the middle of the month in response to the easier credit stance adopted by the U.S. Federal Reserve. Some rates are now at their lowest level this year.

Mr Harry Taylor, president of Manufacturers Hanover, said he thought the recent drop in money costs would reinforce the general move towards lower U.S. interest rates. But he cautioned that while further cuts in the prime rate could be expected in the short run, the longer-term outlook still depended on a rally in the bond market, which has been slower to materialise.

He said corporate borrowers must have an opportunity to refinance their heavy short-term bank borrowing with some long-term funds to reduce the pressure on the money markets.

Thanks largely to the Fed's willingness to allow the money supply to grow a bit faster, Wall Street expects interest rates to ease some more. But many analysts point out that the fundamental problem of massive U.S. Treasury borrowing in the months ahead has not gone away. And this factor will impose a floor under interest rates.

A sharp reminder of the U.S. Treasury's needs will come

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# £3m state cash to keep Cunard order in UK

BY PETER RIDDELL, POLITICAL EDITOR

THE Ministry of Defence is prepared to offer Cunard about £3m for replacement of the Atlantic Conveyor, the container ship lost in the Falklands conflict, provided that it is built in a British yard.

The sum, additional to tha loss of the vessel would be dependent on a ship beiog constructed, which was adaptable, if necessary, to defence needs.

At eWstminster last night, there wers signs that several cabinet ministers were angered by the threat from Lord Matthew, chairman of Cunard's subsidiary Trafalgar House, to build the replacement in Sonth Korea unless a large British subsidy was fortbcoming.

Whitehall officials involved in the talks are believed to be highly sceptical about Lord Matthews' estimate that a £15m gap exists between British and South Korean prices for the ship.

The official view is that the gap could be only half as big after allowing for Government support to the shipbuilding intervention fund and other assistance permitted by the EEC.

Lord Matthews, a tough negotiator, is thought in Whitehall to be trying to maximise the gap between UK and far eastern prices to secure a larger subsidy than ministers are willing to give.

Mr John Nott, the Defence Secretary, is understood to be prepared to put up some of his department's money to help bridge the gap and to ensure that the ship is built in Britain. Mr Nott clearly feels the issue is a highly political one and any bureaucratic obstacles should be overcome.

On this view, if the Government is prepared to offer some money then Lord Matthews and Cunard should be willing to put up the balaoce of a few million pounds to help the British shipbuilding industry in areas of high uoemployment.

The proposal has been discussed with industry, trade and employment, the departments directly concerned, and sone Ministers are known to take a favourable view. The Treasury, however, is cautious about offering any Government money.

The Ministry of Defence's proposal rests on its interest in having civilian ships and aircraft which could be rapidly converted to military uses in emergencies. This view has been reinforced by the Falklands crisis.

Defence officials will insist that any money is dependent on arrangements to ensure access to the ship when it has been designed and built and preferential rights for training purposes during exercises and emergencies.

The Ministry would insist upon certain design changes to meet defence needs so that the ship could carry and easily load and disembark vehicles, helicopters and aircraft. Other modifications might involve insuring that stand-by weapons could easily be fitted.

This is based on the view that for the outlay of a few million pounds, the Ministry of Defence could ensure that a wide range of ships and aircraft were made potentially available for military use. For example, passenger aircraft could be built with strengthened floors

The Atlantic Conveyor was sunk by two Exocet missiles during the Falklands conflict.

# Grundig to acquire AEG's Telefunken subsidiary

BY KEVIN DONE IN FRANKFURT

GRUNDIG, the leading West German consumer electronics group, is to take effective control of Telefunken, the loss-making consumer electronics subsidiary of AEG-Telefunken, Germany's second largest electrical group.

AEG has been desperately seeking to dispose of its consumer electronics business. Last year Telefunken ran up about one-third of the group's DM 642m (£151.5m) losses (before extraordinary profits) while accounting for only 11.6 per cent of group turnover of DM 14.8bn (£3.5bn).

Neither AEG nor Grundig would reveal details of the deal yesterday, but AEG said Grundig would take a direct stake in Telefunken and would take over full control. It appears unlikely that Grundig will take a majority equity holding, however.

AEG said Telefunken would continue to operate as an independent force in the market with its existing brand-name and undar the direction of its present chairman, Herr Josef Stoffels. Permission for the deal has still to be obtaioed from the West German cartel authorities.

Herr Stoffels, a former Grundig director, is ooe of many senior executives to have left the company in recent years following disagreements with Dr Max Grundig, tbe company's 74-year-old founder.

Dr Grundig still owns a 75.5 per cent interest in bis company. The remaining 24.5 per cent is held by Philips of the Netherlands. Earlier this year Dr Grundig re-entered the daily running of his company to exercise his "unrestricted role" as owner.

Grundig itself has suffered major setbacks in recent years recording a deficit of DM 187m in 1980-81. It has restructured to meet competition from the Far East and from November 1978 to March last year it cut its workforce from 40,000 to 29,000, closing 11 of its European plants.

Earlier this year, Grundig said its losses in 1981/82 had heen cut to around DM 40m and that it anticipated operating profitably in the current business year, with sales rising to DM 3.5bn from DM 2.9bn in the year to March 1982.

Telefunken had sales last year of DM 1.7bo, a fall of 6 per cent from 1980, and holds around 10 per cent of the West German consumer electronics market. It is understood to have sustained losses of more than DM 210m in 1981, of which about three-quarters stemmed from its foreign subsidiaries.

Herr Heinz Dürr, AEG chief executive, has made clear that the company was planning to close its foreign operations. Telefunken's workforce has fallen worldwide hy 45 per cent to 9,500 in the last five years and in West Germany alone by 60 per cent to 4,600.

● AEG's hanking consortium has agreed on all essential conditions to implement the West Germao Government's DM 600m loan guarantee for export ocders, which will he accompanied by further credits of DM 275m from the banks.

# BP, Esso reintroduce dealer subsidies

BY SUE CAMERON

The petrol pump price war intensified last night when two of the biggest companies, Esso and BP Oil, announced they were reintrodncing subsidies to dealers.

This will cut pump prices by 5p a gallon in many areas. Rural areas are likely to benefit more than the big towns where competition is already fierce.

Esso and BP disagreed on the impact the subsidies would have on average petrol prices. Esso reckoned it would take its average pump prices in cities down from 177.8p for a gallon of four star to 172.8p. But BP Oil said nationwide average prices at the pumps were already around 167p a gallon.

BP Oil said prices would fall more sharply in country districts. It estimated that average prices in rural areas were aronnd 180p a gallon compared with 163p in towns. The company is spending £5m a month on subsidies to its 4,200 petrol dealers.

Mr Hamish Gray, Minister of State for Energy, welcomed the return of subsidies, saying it would be particularly helpful to motorists in rural areas.

# SE tightens its financial rules

BY JOHN MOORE, CITY CORRESPONDENT

THE STOCK EXCHANGE has announced a set of tough financial requirements, which all its member firms will have to observe in order to trade on its market.

More than 200 stockbroking firms and 17 stock-jobbing firms will have to adjust their finance will have to adjust their finances to ensure that they are able to meet new requirements.

In a notice to members yesterday, the Stock Exchange ruling council told members that it had stepped up its surveillance procedures over the years. But, it went on, one key area which needed to be improved was "the level of the minimum liquidity margin requirement."

The establishment and monitoring of a liquidity requirement, which stipulates by how much free assets should exceed liabilities, enables the council to intervene in a firm's affairs and require the introduction of capital, o to takeo the measues to arrest deterioration.

The council has decided that a flat-rate magin fomula, related to the number of partners or diectos in firms, was no longer appopriate.

Under the old system, it was sufficient for member firms of the Stock Exchange to show that they had £5,000 per partner —or, for limited corporate firms, £10,000 per director—in excess of liabilities.

Now the minimum liquidity margin is to be based on a proportion of a firm's annual expenditure. With effect from June 1, 1983, firms will be required to maintain a margin of approved asets over ranking liabilities, which will be equivalent to two months' expenditure.

After the new rules have been in operation for three years, they will be reviewed. Members have been warned that consideration will he given to a margin of three months' expenditure.

Because of the controversial nature of the proposals, the council has extended the usual confirmation period for the rules — normally a fortnight from the date of announcement —for an extra month. The new rules will not ha confirmed until September 7, to allow firms time to notify the Stock Exchange council of particular difficulties they might face in observing them.

## CONTENTS

# Task Force pilots helped by French

By Andrew Whitley

FRENCH MILITARY aircraft of the types sold to Argentina flew to Britain to participate in mock engagements with Royal Navy Sea Harriers soon after the Task Force sailed for the Falklands in April.

Mirage and Super Etendard fighter-bombers and interceptors were sent after Britain accepted an offer of French help, to accustom British pilots to the flight patterns and profiles of the enemy aircraft they might encounter in the weeks ahead. The Harriers were an outstanding success of the war.

Mr Geoffrey Pattie, the Parliamentary Under-Secretary of State for Defence Procurement, said in an interview on BBC Radio's "Today" programme yesterday that the French Government had provided actual support to Britain, beyond the strong diplomatic support it gave immediately after the Argentine invasion of the island.

He was responding to weekend charges that French technicians from the Government-owned Dassault company had trained Argentines in the use of the deadly Exocet missile during the hostilities.

Mr Pattie said he had no reason to disbelieve the assurances from Paris that the French Government had stopped the supply of all weapons to Argentina.

Defence Ministry officials in London yesterday cast some doubt on allegations in the Sunday Times over the activities of the French technicians.

A senior French Defence Ministry official is already investigating the charges, an indication of the seriousness with which President Mitterrand's Government regards the issue.

France has been a major supplier of defence equipment to the Argentine Navy and Air Force. Following the imposition of a U.S. embargo on arms sales to Argentina, France supplied the Mirage IIIEA and Mirage IIIDA to the air force and the Super Etendard, armed with the Exocet air-to-surface missile, to the navy.

David White adds from Paris: Electronique Serge Dassault, suppliers of the "seeker" system of the Exocet missile, denied yesterday that any of its technicians were active in Argentina during the conflict.

The company, linked to the state-controlled Dassault-Breguet group but not part of it, works on the Exocet as a sub-contractor to Aerospatiale.

# Sharp fall in Paris gold reserves

BY DAVID MARSH

THE FRENCH authorities have announced a sharp drop in the country's gold reserves—a product of the steep fall in the gold price since the peak of January 1980.

According to the latest statement on official reserves from the Ministry of Finance, the value of the gold holdings dropped FFr 24.04bn (£2.02bn) last month to FFr 170.62bn at the end of June, the lowest total for two and a half years.

The drop compared with May was entirely the result of a lowering in the gold valuation to FFr 67,016 per kilo from the previous value of FFr 76,457.

Under the French system of valuing reserve holdings at market-related prices, the gold price calculation is changed every six months, according to a moving average based on the London gold price converted into francs of the previous three months.

The Bank of France has always had a certain proprietorial pride in its stocks of gold, the largest of any nation apart from the U.S. and West Germany.

During the 1930s, the bank helped stoke the flames of world monetary crisis by piling up hoards of the metal. When the Germans marched into Paris in 1940 the central bank's staff successfully kept what was left of the gold stock (the rest had been shipped off to North America) from the invaders' attention by hiding the gleaming bars under lumps of coal.

When central bank chiefs convened in Basle in January 1980 to discuss the idea of concerted sales to dampen the price rise, the French, according to one participant at the meeting, replied that they were only interested in buying the stuff.

The bullion actually resides 100 feet down under the Bank of France's headquarters in central Paris.

The vaults were specially constructed after the city's First World War pounding by the star of the German artillery, Big Bertha.

Gold makes up nearly two-thirds of the total of FFr 263.34bn of French reserve holdings reported at the end of June.

The rest is made up of holdings of European currency units—which partly reflect the value in Ecus of 20 per cent of France's gold "swapped" under EEC monetary arrangements—currency reserves, and France's claims on the International Monetary Fund.

Partly cancelling ou the effects of the fall in the gold valuation, currency holdings showed a sharp rise of FFr 19.48bn to June.

Part of this was due to the purchase of dollars and D-marks which the bank was able to make after the devaluation of the franc in the middle of last month.

# Poland draws hope from U.S. bank talks

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

REPRESENTATIVES of 60 U.S. banks are to meet today in New York to discuss Poland's unpaid 1982 debt. There are signs that some are unhappy about any rescheduling that would include fresh credit for Poland while the Reagan Administration maintains its tough stance on East-West economic sanctions.

The meeting has raised hopes in Warsaw that the U.S. Administration may be forced to soften its sanctions which, according to a Polish news agency (PAP) report yesterday, have proved "unrealistic and even harmful for U.S. interests, particularly the interests of private U.S. banks."

In talks which started earlier this month with Polish officials some WKestern banks particularly West German floated the suggestion that they recycle a portion of any 1982 interest paid by Poland back into Poland, in the form of short-term trade credit.

A number of U.S. banks feel this would be awkward while Washington, citing the situation in Poland, is stepping up efforts to halt European involvement in building the Soviet gas pipeline.

The Polish Press claims to have detected signs that President Reagan may soften sanctions, less in reaction to General Jaruzelski's partial liberalisation moves last week than because of Nato disunity caused by sanctions.

Western bankers are considered unlikely to finalise any rescheduling agreement until their governments drop their refusal to discuss official debt rescheduling with the Warsaw authorities. The freeze on official debt rescheduling has been the West's main reprisal for martial law.

FRANKFURT — Romania is expected to give more than 200 international creditor banks extra time to reply on proposals for rescheduling about $3bn (£1.71bn) of 1981 arrears and 1982 payments, bankers said yesterday.

The Romanian Foreign Trade Bank issued a formal request to reschedule at the beginning of July and asked for replies by the end of the month.

But an information package on the country's economy, which was to have accompanied the request, is apparently being sent only this week and the Foreign Trade Bank is expected to ask for banks to reply by mid-August.

Reuter

Western governments have reacted cautiously to Gen Jaruzelski's announcement on July 21 that 1,227—or roughly two-thirds—of those interned in the country would be freed and that martial law might be lifted by the end of this year. The issue of whether Nato countries should respond is being discussed this week in Brussels.

Western government officials say they want to see the internal reaction to the Jaruzelski moves before deciding how the West should respond. There has been silence from Solidarity, the suspended trade union, most of whose leaders are among the 667 people still interned. The silence may reflect a split among Solidarity activists, with relative moderates like Mr Zbigniew Bujak, head of Solidarity's Warsaw region, perhaps arguing for compromise and more extreme elements pushing for renewed confrontation on the streets.

# Yugoslav Press counters criticisms of Pope

BY PAUL LENDVAI IN VIENNA

POPE JOHN PAUL can draw comfort for last week's brush-off by Polish leaders from an unusual defence of the Vatican by an influential newspaper in another East European country, Yugoslavia.

The Zagreb-based weekly, Danas, has criticised the "unfounded assertions and attacks" made on the Pope and the Vatican by Mr Jakob Blazevic, a member of the Yugoslav party central committee and a former president of the Croatian republic.

Mr Blazevic had accused the Pope of backing Italian nationalist efforts to regain the Yugoslav port of Rijeka, of exploiting religion worldwide for political purposes and of hypocrisy in speaking out for peace.

Mr Blazevic chose the very public forum of last month's Yugoslav Communist Party Congress to launch his diatribe against the Vatican, which he has continued in press interviews since.

The counter-attack in Danas, evidently with the support of top party and state leaders in Croatia, is the first time that a high-ranking Yugoslav politician has ever been publicly rebuked for attacking the Vatican.

# Polish living costs soar as economy declines

Warsaw—Living costs climbed by over 104 per cent, as real wages plummeted, and Poland's debt-ridden economy continued to decline during the first six months of this year, according to figures published here yesterday.

The Polish news agency Pap, in a semi-annual official summary, reported production dropped by 7.8 per cent despite a 16.6 per cent increase in coal production, the nation's major hard currensey earner.

The sharp rise in the cost of living, estimated by some western diplomats to be the biggest in Poladn's post-war history, was recorded under strict conditions of martial law which allowed the authorities to increase prices without incident last February.

Past attempts to lift prices, particularly for meat in 1970 and 1976 led to rioting, and in 1980 to nationwide strikes which launched the independent union Solidarity, suspended since the start of martial law.

Quoting the Government's main statistical office, Pap reported the steepest rise in living costs in the price of food which soared by an average of about 150 per cent. Real wages, Pap said dropped by 26 per ceot during the same peroid.

AP

# Commission to consider new CAP funding plan

By John Wyles in Brussels

PLANS to relieve the EEC budget of the burden of financing the Common Agricultural Policy are expected to be studied by the European Commission in the autumn when it considers proposals for supplying new sources of money for Community expenditure.

Taking the CAP out of the budget and organising a different basis for financing it is seen by some diplomats and officials as one means of *ensuring better control* of farm spending and of overcoming British and West German hesitations about allowing the Community to raise more money for other policies.

As the Community's two principal paymasters, London and Bonn fear that any addition to the EEC's "own resources" could just be swallowed up by agriculture, which currently takes between 60 and 70 per cent of the budget.

In addition, any change in the financing of the CAP would have to benefit the UK, which at the moment contributes around 21 per cent of its costs and receives only about 9 per cent of its expenditure.

Britain floated the idea during bilateral discussions with some of its Community partners last year, but the response was generally discouraging.

Endorsement of the idea by the Commission, however, would put it firmly on the political agenda and could influence negotiations due to start in October on new long-term measures to cut Britain's EEC budget payments.

It will be surprising if the Ten reach agreement on the British budget problem by their end-November deadline. The issue could then become embroiled in the debate on the Community's future financing.

Anticipating the exhaustion in *1984 of resources* based on member states' paying 1 per cent VAT contributions, the Commission is keen to have proposals ready for new sources of funding by the end of the year.

Sig Antonio Giolitti, the Commissioner for Regional Policy, together with Italian diplomats in Brussels, has been arguing for taking the CAP out of the budget.

He is thought likely to press for serious examination of the idea by the Commission. It would involve financing the CAP through direct contributions from member states, together with levies and duties on agricultural imports.

Sig Giolitti has already suggested that a reduction in Britain's funding of the CAP would mean London accepting a reduced role in determining farm policies, such as the annual price fixing.

This would be unacceptable to the UK which believes that contributions to the farm policy should be broadly balanced by receipts from it.

It is argued by British and Italian officials that creating a *self-contained* financing system for the CAP would reduce political controversy surrounding the EEC budget debate.

The *budget* could become a more genuine vehicle for redistributing resources among the Ten

Most of the ideas for new financial resources which have already been advanced by Mr Christopher Tugendhat, the Budget Commissioner, look likely to be developed in the autumn.

# EEC unemployment rate climbs to 9.3% in first half of year

BY GILES MERRITT IN BRUSSELS

TOTAL EEC unemployment continued to increase during the first half of this year, according to figures released by the European Commission in Brussels. By end-June unemployment had reached 10.3m or 9.3 per cent of the Community's working population.

The only sign of cheer detected by the Brussels analysts was a slight decline in both France and Denmark in the absolute figures for registered unemployed during the month of June. The absolute total discounts seasonal adjustments intended to establish an underlying trend.

In France the jobless total dropped from 1,885,300 in May to 1,867,100, reducing the unemployment rate fractionally to 8.2 per cent from 8.3 per cent, but marking the fourth consecutive monthly drop since March when the rate was 8.7 per cent.

In Denmark, the total of unemployed declined by 3.6 per cent from 218,800 people to 211,000.

In all other EEC states barring Greece, which was not included in the Community figures because of a different labour market and jobless registration system, last month saw a rise in both absolute and adjusted unemployment figures.

For the Nine as a whole, the absolute figure rose by 1.6 per cent over May and the adjusted level by 1.2 per cent.

The *Netherlands* showed the most serious rise during June in its jobless totals, with an absolute increase from 486,000 people to 521,600 that pushed the overall unemployment rate up from 9.1 per cent to 9.7 per cent in a single month.

West German and Belgian jobless totals were stabilised *during June*. West Germany with a 46.6 per cent rise in unemployment during the previous 12 months to 1,650,300, now has the EEC's fastest growing unemployment rate. Belgium, with 514,100 unemployed, equivalent to an unemployment rate of 12.6 per cent, continues to top the EEC league table.

The European Commission has noted with concern the acceleration in youth unemployment throughout the EEC.

In the 12 months to June last year, the under 25s jobless rate rose by 15 per cent. Over the last 72 months it has risen by almost 23 per cent. EEC unemployment has soared during that time by 22.2 per cent, and young people continue to account for almost 40 per cent of the total.

# Swiss jobless total may double to 20,000

BY JOHN WICKS IN ZURICH

SWISS unemployment may have almost doubled by the end of this year, according to a statement by the country's Federal Office of Industry, Trade and Labour.

The jobless figure is expected to increase from its mid-year level of about 10,600 to anything between 15,000 and 20,000.

With a total workforce of some 3.05m, this would still mean an unemployment rate of only 0.5 to 0.65 per cent.

It would, however, mean a return to the unemployment levels of early 1977 which were generally considered serious in a country where the jobless rate is usually minimal.

Swiss industry has been increasingly affected by the international recession and a high exchange rate and unemployment has grown from little more than 0.1 to some 0.4 per cent in the past year.

At the same time the number of employees working short-time jumped almost 14-fold between mid-1981 and the end of last month to 34,350—the highest recorded level since late 1975 and early 1976.

This sharp increase suggests employers are trying hard to avoid actual redundancies by reducing hours until demand revives.

# Mintoff meets traders over campaign of disobedience

BY GODFREY GRIMA IN VALLETTA

BEHIND-THE-SCENES talks began yesterday in a bid to avoid a clash between Maltese *Premier Dom Mintoff's Government* and the island's General Retailers and Traders Union (GRTU) which represents some 2,100 shopkeepers.

The union *is insisting that* the 200 shops which were closed by the police last week after taking part in a campaign of civil disobedience launched by the island's Nationalist Party should be allowed to reopen.

The union had threatened to take industrial action to back up its demand and an extraordinary meeting for members at which strike orders could be *issued* has been *called* for tonight.

Early yesterday the union approached the Government hoping to negotiate a peaceful settlement. This followed conciliatory statements by Mr Lorry Sant, Interior Minister, on Sunday. He said the Government was not looking for a fight with shopkeepers but suggested that shops in breach of licence conditions could be seized.

# Swedish cuts package

STOCKHOLM — Further budget savings measures, along the lines of last year's SKr 12bn (£1.13bn) package of cuts, will be required in the fiscal years 1983-84 and 1984-85, Mr Rolf Wirten, Budget and Economics Minister said.

Main aims of government economic and fiscal policy should continue to be the reduction in budget and current account deficits and a decrease in *unemployment*, said Mr Wirten in an interview with the Swedish news agency Tete.

He said the Government is working on a plan to reduce municipal authorities' expenditure by an average 2 per cent each year from next year or by 10 per cent over the next five-year period.

# Decline in tourism depresses Irish hotel trade

BY BRENDAN KEENAN IN DUBLIN

THE RECENT fine weather has shown the tourist areas of Ireland at their best. The long beaches of the west coast bask under the sun; the mountains shimmer blue in the haze. Among the ranks of Irish hoteliers, however, all is grey and gloomy.

Tourism is still the country's second biggest industry but growth seems to have ceased. Last year total revenue was I£640m (£518m), an increase of 17 per ceot but a drop in *real terms*.

The North American market was the only one to grow, with a 7 per cent increase. European visitors were down slightly, while the 1.2m people who came from the UK represented a drop of 4 per cent on the previous year.

With a similar outlook this year, the problem for Irish hoteliers is that their share of this shrinking trade is falling even faster. The trend is away from hotels to accommodation in less expensive farmhouses and guest houses and, especially, towards self-catering cottages. A recent survey by Bord Failte, the Tourist Board, showed that many of these *cottages—often purpose-built*, with traditional thatched and whitewashed walls—are fully booked until September.

The hotels, by contrast, hardly know what business will be like next week. As the Irish season approaches Irish papers are full of special offers from hotels desperate for customers.

The troubles of Northern Ireland, the Falklands crisis and the London bombings may all be cited as reasons for this year's indifferent figure. However, most people believe the fundameotal problem is that the Irish Republic is now a very expensive country.

Two years of inflation at 20 per cent and a firm exchange rate policy in the European Monetary System have meant that even countries like France and West Germany can provide stiff competition. The *holiday-maker in Ireland will find petrol* costing I£2.50 a gallon; a pint of Guinness will cost I£1 and upwards and dinner in a hotel is rarely obtainable much *below I£10*.

The hotels with their higher costs, have been particularly badly squeezed. Those who expanded or improved their facilities now face interest rates of over 20 per cent on their borrowings. One south coast hotelier recently revealed that his interest charges alone are over I£70,000 a year.

The hoteliers' main complaint is directed at the recent increase in VAT, which is now 18 per cent, and much of their campaigning is aimed at the Government in the hope of relief. They would dearly love to enjoy the 10 per cent Corporation Tax paid by manufacturing and some selected *service industries*.

The VAT increase in the last Budget represented a serious escalation in costs. One manager pointed out that, of an *increase in his restaurant price* of I£1.30, VAT accounted for 91p. But the Government, with its current deficit climbing back towards I£1bn, is in no mood to give further tax relief. An extension of the *lower rate* of Corporation Tax would seem to be out of the question.

Irish hoteliers, at least in the tourist areas, may have to look to their own resources if they are to survive. Many talk of the need to reduce manning and demarcation in what is, by international standards, a heavily unionised industry. Others are building self-catering chalets in the grounds of their hotels.

Some *suggest* that the standard of services may have to be cut. The traditional Irish breakfast, served at the guest's table or in his room, is *frequently mentioned as a candidate* for cost-cutting.

Most hoteliers shake their heads at the very suggestion. "Madness," said one. "That would be a doomsday situation," said another. Without some solution to their problems, however, doomsday, in the shape of the self-service breakfast, may soon be upon them.

# Turkey's constitution prompts fears of return to days of the Sultanate

BY METIN MUNIR IN ISTANBUL

The recent publication of a *draft* constitution for Turkey has aroused considerable concern. The general fear appears to be that the 200-article-long document, produced by the *military*-appointed constituent committee of the Consultative Assembly, may serve to legitimise and perpetuate the current military rule within the framework of an elected parliament.

Few are voicing this fear openly because of censorship and the risk of imprisonment. But the fact that many Turks may not be happy with the constitution is quite clear from the comments flooding the press in the past few days.

Mr Atilla Sav, president of the Bar Association of Turkey, attacked it squarely, saying: "The draft constitution is aimed at making the status quo (presumably meaning military rule) a reality. It manifests distrust towards the judiciary while, on the other hand, investing excessive powers in the executive and could enable governments to establish authoritarian rule."

Labour's reaction was also dismayed. Mr Sevket Yilmaz, *chairman* of Turk-Is, the largest workers' confederation in Turkey with some 1m members, confessed to being at a loss for words. "The draft will lead to the disappearance of the labour movement," he said.

The only people to give the draft a guarded welcome so far were from the ranks of the right-wing daily Tercuman and Istanbul industrialists and businessmen. Mr Halit Narin, chairman of the Employers' Confederation of Turkey, called it "seemingly the product of commendable work" which had "eliminated the vague articles of the last constitution which led to controversy over liberties."

The most controversial articles of the constitution are those which introduce severe restrictions to liberties and give strong powers to the President—who, it is generally known, will be General Kenan Evren, the chief of staff and head of state, or one of his colleagues.

The President, previously a figurehead, will be elected by the National Assembly for seven years. He will have the power to appoint and dismiss the Prime Minister and dissolve parliament. He will seemingly have the right to delay legislation indefinitely. He will also have authority to appoint such key people as the governor of the Central Bank, director of the state-run radio and television corporation and senior judges.

The President will be assisted by a new body. The State Consultative Council. Twenty of the *30 appointed members of the* council—whose authority seems to be indeterminate—will be selected by the President. This will presumably replace the Senate abolished by the previous constitution.

While enjoying these wide powers the President will have no political responsibility and will be answerable to none. The Prime Minister and his Cabinet and even, to some extent Parliament, will be of secondary importance and live under the shadow of the President.

The draft also restricts many liberties. Strikes cannot last for more than 60 days, after which they will be resolved by an arbitration council. The freedom of the Press is drastically restricted as is the freedom of expression. Communism, fascism, and upholding the formation of a religious state are banned.

Under the draft constitution the President—who, it is generally expected to be Gen Kenan Evren (left)—will enjoy wide powers with no political responsibility and be answerable to none. The *Prime Minister* and has Cabinet, and, to some extent, Parliament, will be of secondary importance and live under his shadow.

The constitution seems to be a reaction to the chaos it served before the coup of September 1980 and an attempt to prevent its recurrence. This period was characterised by political instability, terrorism, eroded state authority, corruption and economic crisis. Turkey was slipping towards civil war prevented only by the military takeover.

The Generals seemingly distrustful of civilian rule, have proposed a system of military rule in mufti. If Press reaction is anything to go by, their proposal has largely been rejected.

There is a growing campaign, upheld by virtually all sides, to force the Generals to lift their notorious statement number 52. This bans former politicians from expressing their views in public.

The ban includes former prime ministers Mr Suleyman Demirel and Mr Bulent Ecevit—who is on his way to prison for the second time. Political parties have been dissolved and *their property* impounded. Some politicians will be deprived of their political rights.

No politician has reacted in public but the views of both Mr Demirel and Mr Ecevit are well known. They, *too*, are opposed to the draft.

One former cabinet minister called it "the restoration of the Sultanate." He said that the constitution would *take* Turks back 106 years, when the first constitutional movement against the Ottoman Sultans started.

The draft has yet to go through two stages before it is submitted to a referendum, scheduled for November, which may enable its amendment without any loss of face for anyone. First, the Consultative Assembly of 160 people will review and could amend it. Afterwards, the draft will be placed before Gen Evren and his ruling National Security Council. Their draft will be final and will be submitted to the referendum.

Wisdom and commonsense might still prevail, to take account of the criticism being voiced. But the draft, written behind closed doors and doubly concealed by censorship, was extensively reviewed by the Generals before it was published. Presumably, they like it. It is a moot point whether public pressure could change their hearts although, to be fair, there have been past instances when public pressure worked and mistakes were corrected.

Another point is that the draft, which was published last Saturday, was incomplete. The preamble, *introduction*, and the explanatory notes on the 200 articles are still a closely guarded secret. So are the transitional articles which might contain the answers to two important questions.

- What will become of General Evren and the Commanders-in-Chief of the army, navy, airforce and the gendarmarie (which constitute the National Security Council) after the transition to democracy, which will start with the referendum?
- What will happen if the constitution is rejected at the referendum?

The answer to the second question is easy. It was asked to General Evren by newspaper publishers he met at his Cankaya Palace in Ankara last week. "It will mean that people are happy with us," he reportedly replied. So as not to leave any doubt about what he meant, Admiral Bulent Ulusu, the Prime Minister, added: "Then my government continues."

The answer to the first question is not as clear and portends a power struggle in the leadership.

The initial suggestion was reportedly that two points be submitted to referendum: the constitution and that General Evren be elected President for seven years. Presuming he was elected, the National Security *Council* would be disbanded and General Evren would appoint his four colleagues to the State Consultative Council. This would create room for promotion at the top and release a lot of tension and frustration in the army where many promotions have been delayed since the coup.

The four other generals nearly accepted, the reports say, and then said no. Their counter-proposal was that if General Evren were to become President then they should become presidential deputies. Or that General Evren should resign as chief of staff now and reign as head of state, afterwards becoming candidate for President when the new assembly was elected—scheduled to happen by 1984. General Evren reportedly was not happy with either suggestion.

So, the problem of succession, which is as important as the draft constitution, remains unsolved.

It would appear that the general's rule — which still enjoys widespread support—has entered its most crucial stage: the stage when dictatorship begins to make room for the restoration of democracy.

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# Mubarak attacks Israel over Lebanon invasion

BY ANTHONY McDERMOTT IN CAIRO

PRESIDENT Hosni Mubarak of Egypt yesterday strongly criticised Israel for its invasion of Lebanon and siege of Beirut, as a contradiction of "international law" and "a flagrant violation of the spirit of peace . . . at a time when we are badly in need of more hope for the deepening of the spirit of peace."

Mr Mubarak was speaking on the 30th anniversary of the overthrow of King Farouk. Just short of two hours, it was his longest speech by far since he succeeded President Anwar Sadat last October.

Mr Mubarak paid frequent tribute to Gamal Abdel-Nasser, the prime mover of the overthrow of the monarchy and to Mr Sadat, his own predecessor. But he was adamant that Lebanese problems should "be solved by the Lebanese themselves."

Egypt, he said, would "stand very firm" against any partitioning of that country or the revival of "sectarian or social rifts."

He called for a solution to the Lebanese crisis within the context of an overall Middle East settlement and made the following additional points:

● First, "The best way for achieving peace is reciprocal recognition by the Palestinians and the Israelis. By this we mean the right of the Palestinians to self-determination and the right of Israel to exist."

● Second, the first step that the U.S. should take in dealing with the Lebanese and Middle East problems should be direct dealings with the Palestine Liberation Organisation.

He made no reference to recent reports that Mr Yasser Arafat, the PLO chairman, had signed a document accepting all UN resolutions on the Palestine problem.

Turning to domestic affairs, he said there would be no radical or abrupt economic changes.

"We are not," he said, "against halting subsidies on basic commodities, curbing imports sharply or halting the (liberal economic) open door policy."

But he made it plain that the Government and the people together would have to restrain the extraordinary rate of consumption which was eroding foreign currency earnings from oil, workers' remittances, tourism and the Suez Canal.

Finally, he upgraded the importance of the armed forces and their enhancement in the list of priorities he had adopted since he came to power.

Formerly, security had occupied first place, in the wake of the revolt by Islamic fundamentalists last autumn, with reform of the country's economic structure second.

With an eye to Egypt becoming an important regional power the strengthening of the armed forces was yesterday promoted to number two position.

# New Delhi to invest £12.6bn in development

By K. K. Sharma in New Delhi

THE INDIAN Government yesterday announced investment decisions worth a total of Rs 210bn (£12.6bn) on various projects under its annual plan for 1982-83, showing a 21 per cent rise over investment for the previous year.

A major share of the outlay goes to development of oil resources, projects for which involve a 40 per cent rise in investment.

The aim is rapidly to develop oil production so as to minimise dependence on imports and thus reduce the heavy annual trade deficit of Rs 57bn.

Hopes are to achieve an oil production of around 23m tonnes during the year from offshore and onshore fields and to produce sufficient oil to meet 70 per cent of the country's requirements by 1985. The oil investment is 32 per cent of the total outlay on the annual plan.

Apart from oil, the Government plans to treat 1982-83 as a year of consolidation and does not intend to launch any major new projects unless these are financed from abroad. However, anti-poverty programmes are to be retained, particularly to benefit the villages.

The plan document says that to stimulate production and investment, industrial procedures are to be liberalised and industrial policies streamlined so that investment and production increase.

Particular stress is to be laid on improving the working of the public sector enterprises, most of which have shown heavy losses in the past.

Alain Cass, Asia Editor, previews Mrs Gandhi's Washington visit

# Indo-U.S. relations at crossroads

Mrs Gandhi and President Reagan: ideological gap.

MRS INDIRA GANDHI, the Indian Prime Minister, who arrives in Washington today, is not the U.S.'s favourite person. She has been variously described by Administration officials, past and present, as tough, cold-blooded and fickle.

That is one reason why best efforts are being made by both sides to smooth the path for her visit. Another is that she and President Ronald Reagan are far from being soul-mates.

Administration officials preparing for the visit described relations over the years between the world's largest democracies as a "roller coaster." With the exception of a brief period during the Kennedy era in the 1960s, however, there have been many more down than ups in Indo-U.S. relations, which have been characterised by mutual suspicion, irritation and hurt pride.

India, the quintessential Third World nation, feels that the U.S. has consistently ignored its rightful claim to be treated as a moral force in the world and as a major regional power. "We do not figure in their scheme of things," says Mrs Gandhi bitterly.

## Preoccupied

The U.S., preoccupied with the concerns of a super power and the overriding need to contain Soviet ambitions, has tended to view India as the self-righteous advocate of Third World complaints against it, too close to Moscow by far and, as one official put it, "imbued with an inflated sense of its own importance."

The Indian Prime Minister and the U.S. leader have met once before, at the Cancun summit last October, and are said to have got on well at a personal level. Not surprisingly, however, they disagree on most major foreign policy issues—notably the danger posed by Soviet troops in Afghanistan, arms control, the presence of U.S. forces in the Indian Ocean and the need for a new international economic order.

The meeting took place at the nadir of relations between the two countries because of the Reagan Administration's decision to sell F-16 fighter aircraft to Pakistan as part of a $3.5bn (£2bn) aid package. India maintains that this significant new tilt towards President Zia ul-Haq's unstable military régime, far from bolstering Washington's strategic consensus against Soviet expansionism, threatens the stability of the region.

Other mutual irritants include India's recognition of the Vietnamese-backed Heng Samrin régime in Kampuchea, Washington's tight-fisted attitude to International Monetary Fund and World Bank loans to developing countries and the U.S. decision to suspend supplies of enriched uranium to India's Tarapur nuclear plant. These issues are unlikely to be resolved at this week's summit which could still turn out to be another clash of ideologies.

Things may not be as bleak as they seem, however. U.S. officials say Mrs Gandhi is going out of her way to avoid placing undue emphasis on contentious issues. They take heart from her recent trip to Europe and Saudi Arabia, where the Indian Prime Minister adopted a more conciliatory tone than in previous years in a bid to break out of India's long period of isolation.

## Technology

Linked to this is a more liberal economic policy at home and Mrs Gandhi is expected to pursue her search for more foreign investment and Western technology while visiting the U.S.

Most significant of all, the U.S. detects signs that Mrs Gandhi, architect of the Indo-Soviet friendship treaty, has been carefully distancing herself from Moscow since the invasion of Afghanistan in 1979. The most tangible indication of this has been India's steady diversification of its arms purchases.

Added to this shift in the emphasis of Indian foreign policy are the talks now under way to end the 20 year border dispute with China—an event, potentially, of strategic importance for Western interest in the region.

The Indians hope that the U.S. invitation is a sign that the Administration is finally coming round to the view that "India cannot just be wished away." They claim that the U.S. has developed serious doubts about the adequacy of its strategy to contain Soviet ambitions merely by building up Pakistan. "They realise that giving Pakistan F-16s is not going to be enough," said one Indian diplomat.

## Arms sales

The row with China over arms sales to Taiwan may also have reinforced U.S. doubts about Peking's long-term reliability as a strategic ally against the Soviet Union. Hence the renewed interest in India, as a possible counterweight.

None of this suggests that Mrs Gandhi and President Reagan will fall into each other's arms. The ideological gap between them is too great. President Reagan is unlikely to be impressed by Mrs Gandhi's refrain that "India is neither pro-American, nor pro-Russian, merely pro-Indian." India remains a low priority for the White House and, on the Indian side, there is a lingering suspicion that Mrs Gandhi is being invited over just "to be buttered up."

Both sides, however, concede that, for the first time in many years, a combination of internal and domestic factors suggest that India and the United States may have more in common than they think. It remains to be seen whether Mrs Gandhi and President Reagan will exploit this new opportunity.

# Five aircraft destroyed in Zimbabwe raid

By Tony Hawkins in Harare

FIVE Zimbabwe Air Force aircraft were destroyed in Sunday morning's well-executed sabotage attack on Thornhill Base near the midlands city of Gweru, according to security officials.

No statement has yet been issued by the Zimbabwe Government, but the officials said that three Hawker Hunters, one new British-built Hawk and one Lynx spotter aircraft had been destroyed, while five Hunters were reportedly badly damaged, as were three other Hawks which arrived in Zimbabwe only two weeks ago.

The officials said the damage to 13 of the country's operational strike aircraft represented a major setback to Mr Robert Mugabe's Government as it seeks to crush dissident activity by an estimated 2,000 former Zipra guerrillas in Western Zimbabwe.

The blast damage, the officials added, had been caused by very sophisticated weapons, implying that the first assumptions here that the attack was carried out by Zipra dissidents may prove ill-founded.

Meanwhile, there were no reports from Bulawayo of any developments in the hunt for six hostages—two Americans, two Britons and two Australians—kidnapped on Friday night.

Diplomats from the three Western countries concerned have set up offices in Bulawayo to be on hand if and when the abductors and their hostages are found.

The two events—the kidnapping and the sabotage attack—between them pose the most serious challenge to Mr Robert Mugabe's Government since the large-scale Bulawayo inter-faction fighting early last year.

# Israeli Army shocked by colonel's resignation

BY DAVID LENNON IN TEL AVIV

THE ISRAELI ARMY, rocked some weeks ago by the anti-war protests of hundreds of reserve officers and soldiers, has been shocked by the announcement that one of its most brilliant young brigade commanders asked to be relieved of his command, because he opposed the Israeli attack on Beirut.

The army has been conducting "information" sessions with soldiers in Lebanon to try to offset the negative impact of these unprecedented events, which it fears are undermining the morale of the fighting troops.

Col. Eli Geva, 32, was commander of the armoured brigade which captured Tyre in Southern Lebanon and was the first to reach the outskirts of Beirut. He is reported to have explained to his superiors that he wanted to resign because "I don't have the heart to look bereaved parents in the eye and tell them that their sons died in an operation which I thought unnecessary."

Gen. Rafael Eitan, the chief of staff, described Col. Geva as one of the most outstanding, if not the most outstanding, officer of the war.

The youngest brigade commander in the conflict, Col. Geva seemed assured of a brilliant military career until he decided two weeks ago that his conscience would not let him order his troops into the Lebanese capital.

His father is a retired general, who was once commanding officer of central command, and one of his brothers is a regular army officer. The other was blinded while fighting in the 1973 war.

●Col. Geva insisted on resigning his post, despite requests from the chief of staff, the Defence Minister, and ever Mr Menahem Begin, the Prime Minister Gen. Eitan agreed to relieve Col. Geva from his post.

# Iran will welcome peace efforts, says premier

TEHRAN — Iran's Prime Minister, Mr Hossein Mousavi, said yesterday thta his country would welcome peace efforts aimed at ending the Gulf War on the basis of an Iraqi withdrawal from Iranian territory.

Asked whether Iran would accept mediation by Algeria to find a solution to the 22-month-old conflict, he said his Government "will welcome any effort aimed at fulfilling its declared conditions."

Mr Mousavi was speaking in an interview on Tehran Radio after a Cabinet meeting. He visited Algeria two weeks ago to discuss the Gulf War with the Algerian authorities and is expected to return there this week.

Mr Mousavi did not mention Iran's demands for the overthrow of President Saddam Hussein of Iraq, who, Iran has insisted, must go before there are any peace talks with Baghdad.

Kuwait, which lies less than 90 miles from the Gulf War battlefields, yesterday expressed support for the reported Algerian mediation effort. Reuter

# AMERICAN NEWS

## Reagan expected to lay ground for more Salvador arms aid

BY PETER BRUCE IN WASHINGTON

IN A MOVE likely to generate renewed controversy over U.S. policy in El Salvador, President Reagan is expected tomorrow virtually to guarantee continued military assistance to the Government in San Salvador.

The President plans to certify to Congress that the government of the war-torn Central American state is making "concerted and significant" attempts to comply with internationally-recognised human rights and is "achieving substantial control over all elements of its armed forces."

The White House is required by law to make a certification every six months to ensure the flow of military aid to El Salvador, but because Congress no longer has a veto on a final decision, it seems the aid, running at $81m (£46.2m) for this fiscal year, is assured.

However, Congressional opponents of continued military support for the Salvadorean regime are gearing up to ensure that abuses of human rights by El Salvador's military and the general situation there are put back on to the front pages of U.S. newspapers.

Opposition is likely to be most keenly paraded in the House. The Democrat-controlled sub-committee on Inter-American Affairs, which begins hearings on El Salvador the day after President Reagan makes his certification to Congress, is certain to try to draw attention to what it believes is a marked lack of progress on human rights and the key issue of land reform.

The Administration too has shown itself to be increasingly uneasy about the way the Government of the provisional President Alvaro Magana has apparently baulked at speeding up a promised programme of land reform.

Last week Mr Elliott Abrams, Assistant Secretary for Human Rights and Humanitarian Affairs, made an unpublicised visit to San Salvador, presumably to gather evidence for the Administration to use in the forthcoming Congressional hearings.

A measure of the Administration's concern about the pace of reform has come in a recent spate of veiled warnings to the Magana government, including comments last week by Mr Deane Hinton, the U.S. ambassador in San Salvador. While respect for human rights was improving, he said, "There is still a way to go."

State Department officials have said that "plenty of pressure" is being applied to El Salvador and that the Government there has been warned that Congressional sentiment had grown resistant, if not hostile, to the regime.

The Senate Foreign Relations Committee has already voted to trim $100m off an administration request for $166m in military aid for El Salvador next fiscal year.

## Report calls for U.S. auto strategy rethink soon

By Anatole Kaletsky in Washington

THE U.S. MOTOR industry will have to make changes "close to a cultural revolution" if it is to recapture its share of world markets, according to a panel of business academics, motor industry executives and trade unionists sponsored by the U.S. National Science Foundation.

According to their study, even under favourable assumptions about technological innovation and management improvements, the industry is unlikely to regain more than its 1978-80 share of the U.S. market.

The report, which took two years to prepare, finds that Japanese manufacturers enjoy a cost advantage of between $700 and $1,500 per small car produced. Using internal company data and other proprietary information sources, the panel suggests that the true difference probably lies in the upper end of this range, between $1,200 and $1,500.

Labour productivity differences between U.S. and Japanese companies are put at up to 40-50 per cent. Employee costs per hour worked in Japan are about 50-60 per cent of the U.S. average.

The Japanese productivity advantage is based mainly on better process and employee management than on superior automation or faster work-pace, the panel concluded. As much as $100 to $150 of the Japanese cost savings per vehicle is due to differences in absenteeism, for example. The capital used per vehicle produced is less in Japan than in the U.S.

## Venezuela could seek foreign oil investment

BY KIM FUAD IN CARACAS

VENEZUELA may have to seek foreign capital and technology to develop its huge heavy oil deposits, according to Central Bank president Leopoldo Diaz Bruzual, an influential government economic adviser.

In the first official indication of possible foreign investment since Venezuela nationalised its oil industry in 1976, Dr Diaz suggested that "novel forms" of foreign participation were being considered.

Dr Diaz said foreign participation had become a possibility because of deterioration in the world oil market, which has already forced Venezuela to revise oil export income estimates this year by a third down to $14bn (£7.98bn).

Before the decline in exports, Venezuela's state oil industry had programmed an initial $7bn outlay to tap some 200,000 barrels a day from the huge Orinoco oil belt deposits which hold an estimated 1.5 trillion (million million) barrels.

Dr Diaz said that oil industry programmes should be scaled down

## Bignone sticks to Falklands claim

BUENOS AIRES—Argentine President Reynaldo Bignone told representatives of 19 Latin American countries yesterday that Argentina would continue to strive for sovereignty over the Falkland (Malvinas) Islands.

General Bignone was opening a two-day meeting of a committee of support for Argentina created by the Latin American Economic System. Reuter

### Paul Betts reports from New York on a U.S. masterbuilder's White House links

## Bechtel connection excites public curiosity

FOR ALL its attempts to stay out of the headlines, the Bechtel group of San Francisco, one of the world's largest construction and engineering companies — popularly described as "America's secretive masterbuilders"—has done a remarkable job of capturing first U.S., and now international, public attention. "It is not altogether surprising. We make a good story," Mr Steve Bechtel Jr, the company's chairman, said in a rare interview last autumn.

With the recent appointment of its former president, Mr George Shultz, as Secretary of State, and now the disclosure that Mr Philip Habib, the U.S. Middle East trouble shooter, has been serving as a Bechtel consultant on Asia and the Pacific, this corporate Greta Garbo is again at the centre of the public eye.

That Bechtel should excite curiosity and, at times, some pretty wild fantasies, in large measure reflects the company's traditional low-profile approach, its huge business dealings throughout the world involving some of the biggest construction projects ever, and its so-called "White House connection."

The fact that it is privately and tightly held has further excited curiosity. It releases some financial data, but not in recent years its profits. Indeed, the last time it disclosed its profits was for 1976, when it had earnings of $66.5m (£38.6m) on revenues of $4.5bn.

In the past two years or so—indeed, ever since Mr Shultz, who was the first outsider to become president of the corporation—the company has been far more open. It has released what it calls "The Bechtel Report," which gives its employees a review of company operations, with the exception of the precise profit picture. It has reorganised the company's operations into a holding company, the Bechtel Group, controlling three separate operating companies: Bechtel Power Corporation, Bechtel Petroleum and Bechtel Civil and Minerals. It has been far more accessible to the outside world than in the past.

For all this, the old questions about the so-called veil of secrecy that surrounds Bechtel have re-surfaced with a vengeance. Mr Shultz, at his confirmation hearings, roundly defended Bechtel's corporate integrity. Indeed, he suggested to his inquisitors on Capitol Hill that the doubts they raised

Caspar Weinberger, formerly the Bechtel Group's general counsel, and now Secretary of Defence.

Philip Habib, the Middle East trouble shooter, and Bechtel's consultant on Asia and the Pacific.

George Shultz, president of Bechtel for eight years, and now Secretary of State.

about Bechtel—because of its interests in the Arab world—were tantamount to a slur on a company which had distinguished itself with some of the major construction projects in the U.S. and abroad.

Bechtel, after all, built the Hoover dam, half the country's nuclear power stations, the Alaska pipeline, Canada's largest hydro-electric project in Labrador and a host of other worldwide ventures. Among these is the 25-year Jubail industrial complex in Saudi Arabia—a capital project put at an ultimate cost of some $50bn, or more, by the time it is completed.

Mr Shultz sailed through his confirmation hearings, but now questions are being asked about Mr Habib's consultancy role with the company. Mr Habib was hired by Mr Shultz last year to act as a consultant for Bechtel on Asian and Pacific matters, an area where Bechtel sees expanding interests.

This part of the world accounts for more business for Bechtel than the Arab world—about 15 per cent of Bechtel's major projects are in the Pacific region, compared with 12 per cent in the Middle East. As a measure of Bechtel's size, its so-called billings (or revenues from projects) totalled $11.4bn last year, compared with $7.6bn in 1980.

The Arab world nevertheless continues to represent a significant bulk of Bechtel's activities. It was therefore inevitable that Mr Habib's association with the master builder should raise more than eyebrows on Capitol Hill. Indeed, Senator Larry Pressler, a Republican of South Dakota, has already called for Mr Habib's resignation, although he seems to be a minority voice at this stage. He claims Mr Shultz should have disclosed Mr Habib's role during the confirmation hearings and the Senator now wants an explanation.

From the start, Mr Shultz's appointment as Secretary of State worried some pro-Israel groups in Washington because of Bechtel's interests in the Arab world. Indeed, Bechtel made an unusual sortie in the headlines when it became in 1976 the only company accused by the U.S. Justice Department of refusing of sub-contract work to companies blacklisted by the Arab League of Nations. The Justice Department suit charged that Bechtel, and some of its subsidiaries, had refused at least since 1971 work in the Middle East to U.S. companies blacklisted by the Arab countries as part of an economic boycott of Israel. Mr Shultz, incidentally, joined Bechtel in April 1974.

Mr Shultz has now severed all his ties with the Bechtel Group selling back his shares to the company. Although the Bechtel family is understood to own about 40 per cent of the company (no precise figures are available) the other shares are owned by the company's senior officers. This is part of the company's system of "meritocracy," rewarding employees for their performance.

At various stages in their career, Bechtel officers are given the opportunity to buy a shareholding in the company. But when they leave or retire, they must sell the shares back to Bechtel. In this manner the company's private ownership has never been diluted. In his interview last autumn, Mr Steve Bechtel Jr remarked: "In our kind of business we don't feel we need public ownership. Absentee ownership is not as desirable as active ownership."

Bechtel settled the dispute with the Justice Department in 1977 with an out-of-court settlement involving a consent decree whereby Bechtel agreed it would not take part in Arab boycott. It subsequently tried to reverse this on the grounds that the boycott, which was a political action, went beyond the provisions of the Sherman Anti-Trust Act. But a federal judge in San Francisco signed in January 1979 the consent decree barring Bechtel from taking part in any boycott of U.S. citizens and companies by Arab League nations.

Apart from the boycott affair, Bechtel's links with key Administration personalities has been the other source of repeated media speculation, which often has been exaggerated and unfair to the company. Nonetheless the fact that, apart from Mr Shultz and Mr Habib, Mr Caspar Weinberger, the Secretary of Defence, was the company's general counsel, has fuelled suggestions that Bechtel has a backdoor entrance into the Reagan Cabinet.

Moreover, Bechtel has had a knack of employing key political people. Mr Richard Helms, a former CIA director and U.S. Ambassador to Iran, is also a part-time consultant of the company.

From time to time, stories have appeared on some sinister connection between the company and the CIA. A few years ago, for example, Mother Jones, a San Francisco radical magazine, tried to establish such links. The article provoked a prompt response from Bechtel. The company printed a long handout which it distributed to its employees firmly denying what it described as a deceptive and irresponsible story seeking to discredit the company. What further incensed Bechtel, was the fact that Mother Jones distributed free copies of the magazine outside the company's corporate headquarters in San Francisco.

Bechtel, because of its high visibility despite its penchant for a low profile, is painfully sensitive about its public image. Mr Bechtel, an engineer whose temperament is to stay out of the front pages, has always been obsessed with the company's good name. Indeed, apart from the Arab boycott affair, Bechtel has succeeded in keeping its nose remarkably clean. As a measure of his concern about the company's image and reputation both within and outside the Bechtel Group, he circulated a memo to top officers shortly after President Reagan's landslide victory in the presidential election.

This memo concludes with the following instructions: "We must not, under any circumstances, seek, or appear to seek, any special advantage or favour because of personal relationships which we have with persons in or close to the Government, or try in any way to trade on those relationships. As in the past, we must be proper and circumspect in our contacts and dealings with representatives of the Government and we must, in view of the circumstances, be doubly sure that our conduct continues to be completely beyond reproach."

# WORLD TRADE NEWS

## Belgium defers agreement to buy Soviet natural gas

BRUSSELS — Belgium has [illegible] Soviet natural [illegible] stations on [illegible] in supplies [illegible] officials [illegible].

[illegible] M. Etienne [illegible] Energy Secretary, [illegible] had taken [illegible] refusal [illegible] contracts to [illegible] the Siberian [illegible].

Another [illegible] with the steep [illegible] domestic gas consumption [illegible] is likely to [illegible] 7.5bn cubic metres this year from 8.5bn last year, 9.4bn in 1980 and 10.8bn in 1979, he said.

The official declined to comment on reports that earlier this month the Dutch Government wrote to Belgium agreeing to the "principle of a supply guarantee" in case the [illegible] with the Soviet Union fell through.

He also refused to say how far negotiations have gone between the two countries.

"If we decide to do without the Soviet gas, quite obviously the Netherlands would figure in our calculations of alternative supplies," he added. It is now Belgium's main source, selling about 7bn cubic metres a year.

Sources said the Dutch have been reconsidering their gas policy with a view to increasing exports. They said the Belgian Government was optimistic it would obtain pledges of a guarantee to meet any future gas deficits.

Belgium has been negotiating the purchase of 1bn-3bn cu metres of gas annually from the Soviet Union starting in 1985 and continuing through 1992.

The Energy Secretary has been sympathetic to the U.S. view that the Soviet Union would be in a position to "blackmail" Western Europe with a supply cutoff.

His spokesman said Monday that it is "possible that we will be able to do without Soviet gas altogether."

AP-DJ

## Dual EEC talks open in bid to settle steel row

BY GILES MERRITT IN BRUSSELS

TWO SETS of parallel talks on the shape of the new EEC steel exports restraint deal, to be negotiated soon with the U.S., opened in Brussels yesterday, one between EEC governments and the other between the community's giant steelmakers.

U.S. Government experts are to arrive in Brussels tomorrow for preliminary discussions in advance of the August 3-6 Washington negotiations on a global transatlantic steel pact. Both the meeting of the Eurofer steelmakers' club yesterday and that of EEC governments' representatives concentrated on the scale of the export cutbacks to be offered and the serious internal EEC adjustments that would consequently be required.

The gap to be bridged in the U.S.-EEC negotiations on the quota restrictions to be imposed on all steel products, except pipes and tubes, is a U.S. demand that the EEC's share of the U.S. market should drop from some 6.3 per cent to 5.3 per cent. An EEC compromise figure of 5.9 per cent has been rejected.

But before the European Commission can finalise any new offer to Washington, it must first be decided how to share the burden in the EEC that will be needed to underpin a global pact.

European Commission officials believe the principle of burden sharing is now fully accepted by EEC governments and their steelmakers. It involves a willingness by West German, Dutch and Luxembourg steel producers, so far untouched by U.S. countervailing measures, to sacrifice both U.S. and EEC sales out of solidarity with their competitors in Britain, France, Italy and Belgium.

In last week's failed bid to secure bilateral agreements with the U.S. for those four countries hit by duties of up to 40 per cent, the other steel producing member states agreed to freeze their own U.S. steel export levels up until end-1985.

But the prospect of a tougher steel export cutbacks deal than the 10 per cent market share reductions offered then by the four is raising fears that damaging in-fighting over burden sharing could develop in the EEC and prejudice chances of a global pact in August.

As Eurofer member companies' executives met here to examine the likely production cuts in the fourth quarter of 1982 that a U.S. steel deal will require, West German officials were making it plain that the Bonn Government is not prepared to see its U.S. steel trade reduced below a 1979 level, when German steelmakers had 1.8 per cent of the U.S. steel market.

## Airlines set to approve fares rise

By Michael Donne

FARES increases of perhaps 5 per cent seem certain to be approved by the member airlines of the International Air Transport Association as an immediate answer to their deteriorating financial problems.

Other measures, such as seeking to reduce if not eliminate ticket discounting—the sale of tickets below official rates—which is costing them more than $500m (£285m) in lost revenues annually, are likely to be more difficult to agree.

Such measures are necessary, however, Mr Roy Watts, the deputy chairman and chief executive of British Airways, told the chief executives of more than 80 member airlines meeting in Geneva. Mr Watts is acting as independent chairman at the session.

A financial report by the IATA executive confirmed that collective losses by the 117 IATA members in 1982 would be not less than $1.6bn, including interest payments, and that the 1983 results would probably be worse.

The Fare Deal Monitoring Group, set up some time ago to study ticket discounting and other malpractices, told the meeting that the drain on revenues through these activities was increasing.

## De Havilland Canada signs deal with Airbus

BY OUR FOREIGN STAFF

AIRBUS INDUSTRIE and de Havilland Canada have signed a memorandum of understanding under which de Havilland will participate in the development and production work of the projected A-320 150-seat short-haul aircraft development programme.

The state-owned de Havilland will be seeking a share of up to 10 per cent in the A-320 programme as an associate partner of Airbus Industrie.

At the moment, principal shareholders in the Airbus programme—which so far has comprised the A-300 and A-310—are Aerospatiale of France, Deutsche Airbus of Germany and British Aerospace. Casa of Spain has a small share.

The de Havilland involvement follows a Canadian Government announcement last week which suggested Canada was interested in developing a C$500m (£225m) interest in the project as a way of shifting the Canadian aerospace industry away from overdependence on U.S. manufacturers.

The memorandum was signed by Mr John Sandford, de Havilland's president, and Mr Bernard Lathiere, the Airbus Industrie's President, it was said yesterday.

Mr Sandford said yesterday "Our company will take full responsibility for the design and manufacture of our part of the programme and participate in the business of large civil transport aircraft produced for scheduled airlines and charter operators around the world."

Until now de Havilland has produced commuter aircraft as well as small military transports.

Under the agreement de Havilland will be responsible for the development, production and delivery of those parts of the A-320 it will manufacture. It has not yet been finalised which parts of the aircraft these will be, and various alternatives are being studied.

"By being associated with Airbus Industrie at a still very early stage of the programme, we are in a much better position to select the elements most suitable for the Canadian industry," said Mr Sandford.

New investment and an additional plant may be needed, he said. Various sites are under consideration. The participation would also involve many of the 900 Canadian concerns now working closely with De Havilland.

More than 500 models of the A-300 and the A-310 have been sold to 46 airlines. The A-320 will be a new, advanced technology, single-aisle, 150-seat, twin-engined aircraft optimised for short- to medium-ranges.

It will offer up to 50 per cent lower fuel consumption per seat than existing old generation two- and three-engined narrow bodies and up to 25 per cent lower operating costs.

## Perspicacity and prosperity in the land of opportunity

**The engineering materials division of TAC more than doubled its sales to the U.S. last year and is on course to raise them massively again in 1982. NICK GARNETT discovers its strategy for success.**

Exporters at Work

TWO MEN walked into Customs at B[illegible] airport, each carrying a heavy box with which they had flown in from the UK. The boxes were only checked and the men went on their way.

The boxes contained 1,000 vanes destined for the manufacture of rotary pumps. The men carrying them were the managing director and the [illegible] manager of the engineering materials division of TAC, a unit in the Turner and Newall group.

That Dr Bob Bishop, the managing director, and Mr Tony Moore, manager of the division's electrical and mechanical products business, had taken [illegible] of a trip to the U.S. in April to deliver the rotor vanes to one of the world's largest producers of rotary vacuum pumps, air motors and compressors, was evidence of the division's much more dogged pursuit of exports over the past three years.

The division produces a wide range of high-quality products, many of them based on asbestos technology, and destined for manufacturing and construction. They include materials for wearing and bearing applications in aircraft and engineering machinery, high density cement used in engineering manufacturing, and insulation and fire protection material.

The division has weathered a severe contraction for three years, shrinking its workforce of 1,000 to 270, extracting itself out of a number of operations and diluting its product range.

Over the same period, however, despite world recession in the industries it serves, it has pushed direct exports from 39 per cent of its business in 1980 to 46 per cent last year an expected 52 per cent this year.

It has dug into the U.S. as an export market, making that its biggest overseas outlet. Specialist sales to Japan have expanded and it now hopes to become a much bigger supplier to the Japanese engineering industry.

This performance has been chalked up despite a near collapse in sales to Poland—once its main export market—mainly because of credit difficulties.

The division points to three main reasons for its success in both strengthening its export effort and raising overall profitability.

Dr Bishop says: "For one thing we are working much harder at it. We had rather neglected the U.S. market in the 1970s, for example. It was a difficult one to get into but we have identified it as a key area."

In 1980 the division spent the equivalent of 120 man days in the U.S. touting its products. It was assisted by an acute shrinkage in the number of U.S. manufacturers making asbestos laminate. Out of six producers in the U.S. in the late 1970s only one major one—NVF—has survived.

Sales to the U.S. rose from 106,000 two years ago to £259,000 last year and the division is on course to raise this to £400,000 this year. "We decided to service the States as if the ocean wasn't there and try to give a better service to customers than U.S. manufacturers," says Dr Bishop.

The boxed-up rotor vanes had been manufactured within one week of TAC obtaining the contract and were followed by an order for 100,000 from the same customer. In Japan the division linked up with Morganite KKK—the Japanese company of Morgan Crucible—to act as its distributor.

Secondly, the division has had to develop new products specifically to win export orders to the U.S. The design of U.S.-built equipment tends to result in it working at higher pressures, temperatures, than similar products manufactured in Europe. They also tend to be larger. TAC's engineering materials division has been successful in developing products to be used in compressors operating at 200 deg C or more.

Finally, its growing orientation towards exports has been underpinned by a productivity drive in the UK over and above the drastic manpower cutbacks.

The division, which pays tribute to the flexibility shown by its workforce, has been improving its production methods—including the use of different moulds and jigs, reducing the number of operations in the manufacture of rotor blades and tightening costs and quality control.

Efficiency in the machine shop, which was running in value terms at £5,000 to £6,000 a month below standards the company had set for it is now claimed to be operating at £10,000 a month better than those standards. Better use of materials has included greater use of off-cuts—which can be used in place of new material—and this has been saving £8,000 a month.

Tighter control of energy, engineering modifications in the heating systems and changes to the machines' running times produced a 29 per cent saving in total energy last year, compared with a 15 per cent fall in output.

## Venezuela drops Hawks plan

VENEZUELA has dropped plans to purchase British-made Hawk aircraft because of a shortage of funds, Kim Fiad reports from Caracas. The aircraft would have cost a reported $230m (£131m).

Venezuela has had to reduce budgetary spending and increase domestic taxes due to a shortfall in oil income this year which has led to an estimated $3.1bn budget deficit.

## Gloomy outlook

HONG KONG—One of the world's top shipowners predicts the current global shipping recession may last "a few more years."

Sir Y. K. Pao, chairman of the Hong Kong-based World Wide Shipping Group said: "Any recovery will depend on the revival of world trade.

## U.S. to launch 'cartel' probe on Japanese chips

BY CHARLES SMITH, FAR EAST EDITOR

THE U.S. is to investigate allegations that Japanese manufacturers of 64 kilobit random access memory chips have formed a cartel to control prices and production.

The Ministry of International Trade and Industry confirmed yesterday that it had been told about the investigation but added that it did not think there was "any such cartel."

Hitachi, one of the six companies named by the U.S., said it was unbelievable that Japanese companies could be conspiring to fix prices or production levels in view of the intense competition between them.

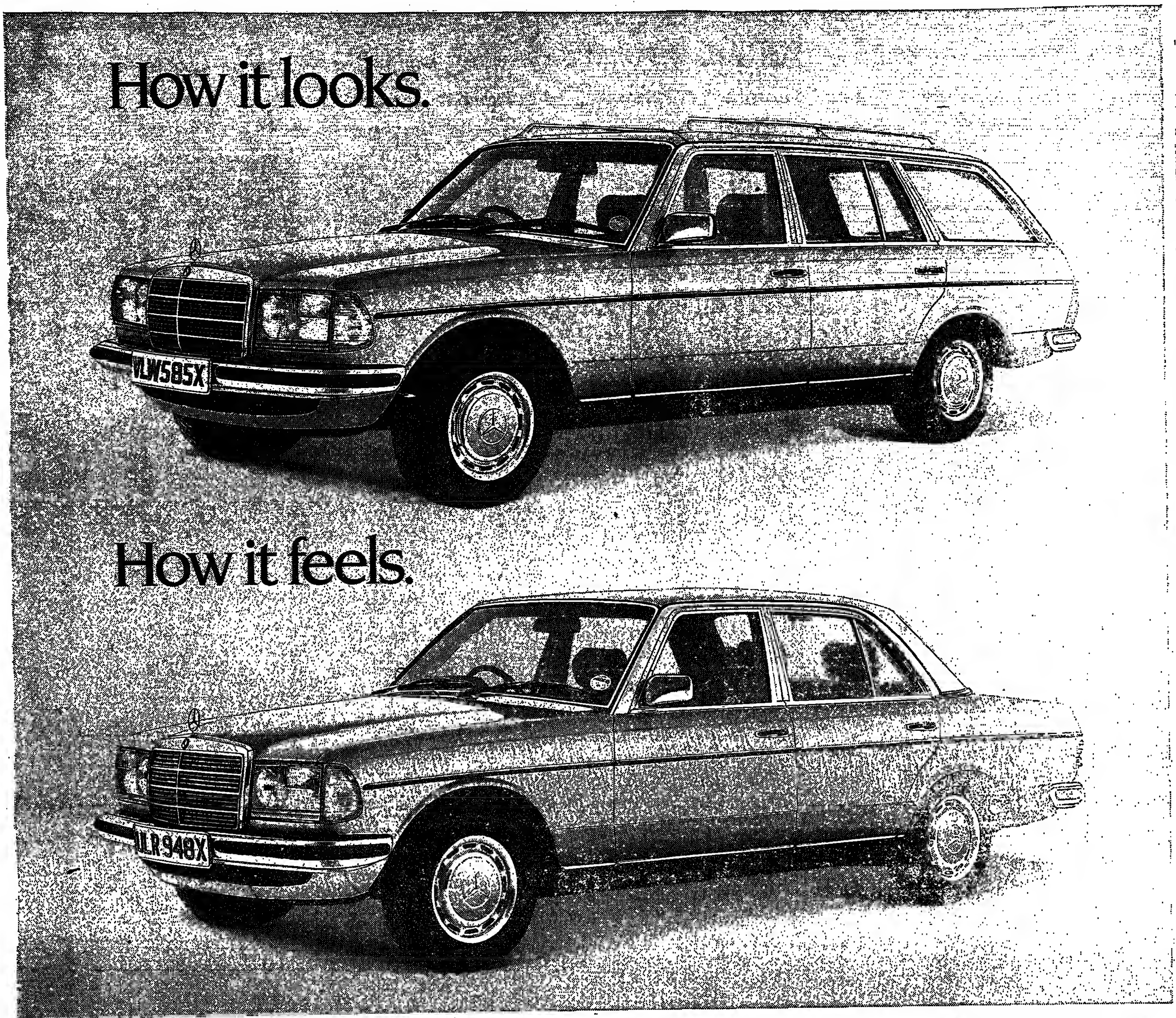
Japan is believed to lead the U.S. market for 64 k bit RAM chips although no market share figures are available in Tokyo.

Japanese manufacturers admit, however, that there appears to be a shortage of 64 k bit RAMs at the moment and that prices of the chips have stopped declining.

Prices fell from $20 (£11.40) a chip early last year (when Hitachi embarked on mass production) to $6-$7 in the spring of 1982.

Hitachi, which is producing 1m-1.5m chips a month, is planning to raise its output to 2.2m chips in December. Other Japanese makers are also planning to increase their output.

The six companies to be investigated by the U.S. are Hitachi, Nippon Electric, Toshiba, Fujitsu, Mitsubishi Electric and Oki. Staff at each company's U.S. affiliate will face compulsory questioning.




You needn't sacrifice saloon car attributes to achieve estate car utility.

Because there is one estate car that drives, rides and simply feels exactly like a Mercedes-Benz saloon car.

The Mercedes-Benz estate car. And the reason why? Engineering.

### Engineered forwards.

Before Mercedes-Benz approved its estate car for production, it had to behave like a Mercedes-Benz saloon car.

That's why the ride in a Mercedes-Benz T is like no other estate car in the world.

The five different power trains, so well proven in Mercedes-Benz saloons, have been perfectly matched to the estate format.

The front suspension with coil-springs and anti-roll bar in combination with zero-offset steering, provide straight-line stability, even in emergency situations.

A hydraulic, self-levelling device in the rear of the estate automatically compensates for variations in the load.

You can load the T to its maximum capacity, 1543 lbs, switch on the engine and the car is automatically adjusted to its proper road posture.

In short, put in over half a ton, and it will still handle with Mercedes-Benz integrity.

### Engineered backwards.

It may seem like a paradox, but whilst obliged to behave like a Mercedes-Benz saloon, the T was single-mindedly conceived and engineered as an estate car.

That, is the essence of its heritage.

Its shape was developed in the wind tunnel, not by simply tacking a cargo area onto a saloon.

Its utility was developed in the real world, because we found, by asking estate car owners, that they don't use their cars for just one purpose.

For this multiplicity of usage, each Mercedes-Benz T is available with an optional five-four-three-two-one passenger/driver configuration that expands cargo capacity in a very versatile way.

With the rear seat up, your cargo rides safely behind a retaining net, or can be secreted beneath a roll-out "tonneau" cover. You ride unassailed by boom, shake, rattle or roll.

### Mercedes-Benz name the competition.

The two-litre 200T is the first car in the range. Its starting price is just £9,350 (excluding number plates and road tax). But it does have four competitors you should consider before your purchase.

1. The 230TE Estate is a very effective performer. It has a fuel-injected 2.3 litre, 136 DIN/hp engine and is capable of 112 mph.

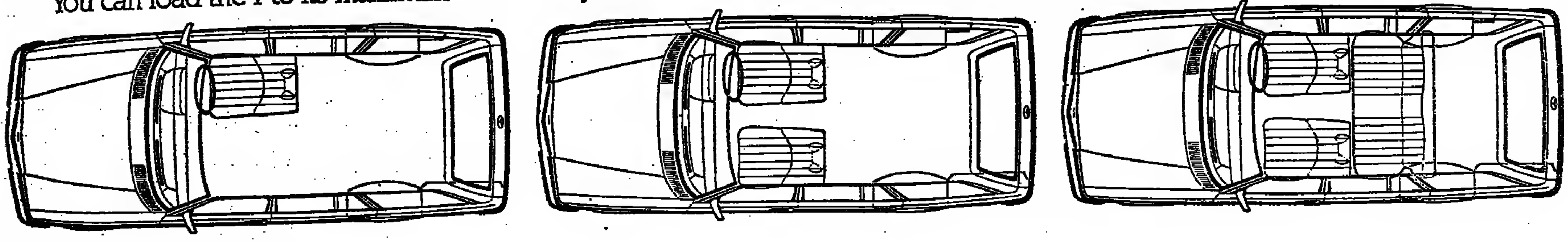
2. The very quick 280TE. Its 2.8 litre, fuel-injected twin overhead camshaft engine could move you and a heavy payload at speeds in excess of 120 mph, were it legal.

3. and 4. The 240TD and 300TD. Smooth, efficient and comfortable, with the added durability of 2.4 litre and 3 litre diesel engines.

Your Mercedes-Benz dealer can arrange to show you all five models.

Just tell him you want estate car utility. And Mercedes-Benz agility.

**Engineered like no other car in the world.**



# UK NEWS

## Untying the HP tourniquet will not cause a rush of blood

FT writers report on the reaction of manufacturers and traders to the end of hire purchase restrictions

BRITISH motor manufacturers and traders gave an unqualified welcome last night to the Government's abolition of hire-purchase controls. But it is likely to provide a mild stimulus to sales of new and used cars, rather than a bonanza, writes John Griffiths.

This is because the benefit is confined to private buyers. Business purchases—which account for about half the new car market—have not been subject to the requirements of a one-third deposit and a maximum of two years to pay, which ended at midnight.

The importance of hire purchase in the car market has diminished considerably over the years as other sources of finance have emerged. Only about 23 per cent of new cars and 30 per cent of used ones are now acquired under traditional hire-purchase agreements.

Nevertheless, the Society of Motor Manufacturers and Traders (SMMT) estimated that the end of restrictions could increase sales of new cars by 50,000 to 80,000 units over the next year, or by between 3 and 5 per cent.

"Equally important, according to Mr George Turnbull, the SMMT president, "will be the effect on the severely depressed used car market. For every new car sold, there are at least two to four used-car transactions. A healthy used-car trade is important to our manufacturing industry."

The Motor Agents' Association (MAA), which represents most UK traders, took a more optimistic view. It said new car sales could be increased by about 100,000 in the next year, and could clear 150,000-200,000 of what is described as "record" 375,000 used cars with dealers. However, abolition was too late to save many jobs in the depressed retail trade this year, the MAA said, pointing out that 13 per cent of all bankruptcies so far this year were in the retail motor trade.

The abolition is not expected to affect prices of used cars. Dealers have been short of cash and are likely to be more anxious to increase the turnover of vehicles than raise prices.

Both the Finance Houses' Association and dealers insisted this abolition would not lead to a system of no deposits and re-payment periods of five years or more. Such a system could lead to difficulties for owners when they were trading in vehicles if that were to take place only two or three years after initial purchase, because the buyer would have little equity in the car and would have to find a lot of money to buy the next one.

Jason Crisp writes: The consumer electrical goods industry—from colour television sets to dishwashers—gave a cautious welcome yesterday to the abolition of hire-purchase restrictions. It is generally expected to give the market a small stimulus.

Retailers and rental companies predicted that most customers would still be required to pay a deposit—10 per cent for purchasers or three months rent for hirers. Mr Sidney Parker, chairman of Thorn EMI Rentals, the largest TV rental group, said that established customers would be able to change their sets more readily. Under the old rules, a full deposit was required when sets were change. It is now unlikely any deposit would be demanded of proven customers.

The British Radio Equipment Manufacturers' Association gave a cautious welcome to the decision, but warned of the damage which could be caused if the rules were revived. Manufacturers of consumer electronics have always pleaded for stability when governments repeatedly changed taxes and hire-purchase regulations.

The Association of Manufacturers of Domestic Electrical Appliances (AMDEA) thought the changes would provide a marginal stimulus to a depressed market for such equipment as freezers, washing machines and cookers.

David Churchill writes: The Retail Consortium, which represents most of Britain's retailers, welcomed the abolition of the controls. "We are in favour of anything that gives retailers greater flexibility in producing credit deals which will attract business."

However, some retailers are worried that consumers' limited amount of disposable income might go on first payments for large items, such as televisions, rather than to buy smaller items, such as clothes or footwear.

The Consortium believes that the overall effect will be a "psychological boost to consumer confidence," and is hopeful that a cut in the mortgage rate soon will further stimulate consumer spending.

Mr Brian Bailey, director-general of the United Association for the Protection of Trade, warned last night that the level of risk from bad debtors could rise if no-deposit schemes were introduced.

## BA move to hasten Aeradio sale

BY RAYMOND SNODDY

BRITISH AIRWAYS will tomorrow try to change the articles of association of its profitable subsidiary International Aeradio (IAL) to hasten the company's sale.

At an extraordinary general meeting at Aeradio House in Southall, Middlesex, representatives of 30 international airlines, which hold only 2 per cent of the A but all of the B shares, will be asked to give up their right of first option on the sale of the airport services company.

The meeting comes an hour and a half before the subsidiary's annual general meeting, where profits of £9.3m will be announced.

Turnover of the parent company and subsidiaries such as Ocean Data Systems, a meteorology and oceanography company in the U.S., is £93m compared with £64m last year. When associated companies are included the total turnover rises to £124m.

A prospectus of IAL, which is involved in air traffic control, airport and hospital management, telecommunications and electronics, drawn up by S. W. Warburg, the merchant bankers, is now complete. IAL is the first bit of BA offered to the private sector. Its sale was delayed by the unexpected discovery that minority shareholders had to be offered shares first.

Representatives from up to 30 airlines will attend the meeting, including CAAC, the Peking airline, Pan American, Quantas, Middle East Airlines, and British Caledonian.

If the change goes ahead the prospectus will go on to the main BA board next week. IAL could be sold within two months.

The conditions which BA attaches to the sale is causing concern. The company should fetch between 50m and £60m but that figure envisages an equal amount invested in it during the next five years.

There are fears that IAL may be sold off for more than the present face value, but without any commitment to invest, which would amount to a degree of asset stripping, leading to closures and redundancies.

More than 30 companies have already expressed an interest, including GEC, Racal, Plessey, Grand Metropolitan and BAT Industries in the UK, Siemens in West Germany, Philips in Holland and Litton Industries in the U.S.

Recently UK banking and insurance interests have joined the field waiting for the bidding to start in the sale by tender.

## British Airways chiefs leave helicopter offshoot

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is taking steps to make the management of its wholly-owned subsidiary, British Airways Helicopters, more independent, probably envisaging an eventual sale of the company to private investors.

Several senior BA personnel who have been on the board of the helicopter company have now resigned, while retaining their posts in British Airways. They are Mr Stephen Wheatcroft, BA's director of economic development; Mr John Garton, engineering director of BA; Mr Charles Stuart, head of commercial development, and Mr Ronald Spencer, chairman of the Airways Pension Scheme.

As a result of these changes, Mr Russell Keefe, managing director of BA Helicopters, becomes chairman, while Mr Michael Ginn becomes managing director.

As announced recently, two external directors have been appointed—Mr Sebastian de Ferranti, formerly head of Ferranti, and Mr Fred Bonner, deputy chairman of the Central Electricity Generating Board.

Sir John King, chairman of British Airways, has made no secret over recent months of his desire to sell parts of the airline if this would help it back to profitability.

Current plans involve selling properties (including the Victoria air terminal). It is also understood that International Aeradio, the flight information and communications company which is majority owned by BA, is up for sale.

## British Midland allowed to compete on Scottish route

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE BRITISH Airways' monopoly of the domestic trunk air routes between London (Heathrow) and Glasgow and Edinburgh has been broken by the Government, and a fierce battle for traffic could result.

Lord Cockfield, Secretary for Trade, yesterday announced that he had decided to allow British Midland Airways, the independent airline, to fly on those routes in competition.

The London (Gatwick) to Scotland routes flown by British Caledonian Airways are not directly affected.

British Midland expects to start flying the routes from Heathrow this autumn, starting probably with Glasgow trips. It will eventually be offering six flights a day each way between each destination, using DC-9 jets, at fares that will undercut those charged by British Airways.

The current Shuttle single rate from Heathrow to Scotland is £55, with a "guaranteed stand-by" rate of £33. British Midland still has to announce its fares.

Mr Michael Bishop, British Midland Airways' chairman, said yesterday it was not intended to become embroiled in a "fares war" with BA on the routes, although his airline would offer cost-related fares that would be highly competitive.

Nor was British Midland seeking to drive BA off the routes. "We are not looking for a big slice of the market," he said. "We would be content with about 20 per cent of the volume of traffic on the route." The routes collectively carry over 1.17m passengers a year but are only marginally profitable.

British Midland has been seeking a share of the Heathrow-Scotland routes for over 18 months. Its application to the Civil Aviation Authority in early 1981 was rejected.

Although the other London-Scotland flights by British Caledonian are not directly affected, it objects to British Midland's intervention arguing that any third carrier on the trunk routes as a whole would dilute traffic and revenues.

## BAe appoints managing director in reshuffle

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE is making several board changes to prepare for the retirement next year of a number of top executives.

The most significant appointment is that of Admiral Sir Raymond Lygo, chief executive of BAe's Dynamics Group (responsible for missiles and space hardware) as managing director-designate of British Aerospace from October 1. He is to become managing director, a new post in the company on January 1.

Sir Raymond will report to Sir Austin Pearce, the chairman, who will remain in that job for at least the next three years. All other directors will report to Sir Raymond.

In place of Sir Raymond as chief executive of the Dynamics Group will be Mr Hugh Metcalfe, who on October 1 will join the main board of British Aerospace. Mr T. G. Kent will become deputy chief executive of the Dynamics Group. Both occupy senior posts in the group.

Sir Raymond's new position stems from the retirement next year of Mr A. H. C. Greenwood, now deputy chairman. It is not intended to appoint a successor for the present.

Other retirements next year will entail new appointments in the BAe Aircraft Group, responsible for civil and military aircraft. Sir Frederick Page, chief executive, and Mr E. G. Rubython, deputy chief executive of the group, are due to retire.

The new chief executive of the Aircraft Group will be Mr I. R. Yates, now director of engineering and project assessment in the group. His deputy will be Mr J. L. Glasscock, at present managing director, military, in the Aircraft Group.

## CEGB 'could not cope' with coal imports

By Sue Cameron

THE Central Electricity Generating Board would be embarrassed by the ending of government restrictions on coal imports because it could not cope with its stockpiled supplies on the Continent, the National Coal Board claimed yesterday.

The annual report of the CEGB, due to be published on Thursday, is expected to show that government limits on coal imports cost the taxpayer £20m in the last financial year.

The CEGB has a long-term contract to import more than 2m tonnes of comparatively cheap coal a year from Australia, but this is having to be piled up at continental ports because the Government has forbidden it to import more than 750,000 tonnes a year.

But yesterday the Coal Board said the CEGB would be physically incapable of bringing all its Australian stocks into the UK even if the Government agreed to lift its limitations. This was because:

● The CEGB can make economic use of imported coal in only a small number of power stations; those that are accessible by water. Its dock facilities are restricted—the CEGB itself agreed this was so yesterday and it would therefore find it hard to bring in large amounts of coal except over a long period.

● Electricity demand is comparatively weak because of the recession, and the CEGB already has an understanding with the Coal Board that it will buy at least 75m tonnes of UK coal a year. The CEGB would therefore find it difficult, if not impossible, to use extra coal brought in from abroad.

● Britain's 47.1m tonnes of coal stocks are at the highest level ever in relation to consumption, and some 20m tons are already at power stations.

The Coal Board stressed it had never opposed the principle of the CEGB's right to import coal. But it said that provided the price of UK coal was kept to reasonable levels, there would be no financial advantage to the CEGB from importing it.

Industry experts believe the CEGB may save between £50m and £100m a year as a result of its informal supply agreement with the Coal Board. In return for the CEGB agreeing to buy 75m tonnes of coal a year, the Coal Board has said it will not raise prices beyond the level of inflation.

But at present the CEGB is clearly annoyed by the fact that it is having to pay more for UK coal for some of its power stations than the French state electricity corporation.

A policeman, one of many involved in heavy security precautions, keeps a lookout through binoculars from scaffolding at St. Paul's Cathedral before yesterday's memorial service for the dead in the Falkland's campaign. The Queen and most of the Royal Family attended, including the Princess of Wales—her first public appearance since Prince William's birth.

## Small depositors' fund to meet £1.2m claim

BY WILLIAM HALL, BANKING CORRESPONDENT

THE Government's Deposit Protection Board, set up earlier this year to safeguard the funds of small depositors, is to meet a £1.2m claim resulting from the collapse of Merbro Finance (NI).

The company was a licensed deposit-taker owned by the Gallagher group, an Irish property developer which failed earlier this year.

This is the first time the protection scheme has been brought into play. Under the scheme, which came into operation in February, depositors recive 75 per cent of the first £10,000 at risk.

It is understood around 400 depositors in the company will be covered by the scheme. Merbro Finance, formerly known as Merchant Banking (NI), was given a licence in February 1981 but was taken off the Bank of England's list in April this year and went into liquidation on May 19.

Details of the payment to depositors in Merbro Finance (NI) are contained in the first annual report of the Deposit Protection Board, issued yesterday at the same time as the Bank's annual report and accounts for the yar to February 28 1982.

The Bank's annual report notes that 41 institutions were granted licences to take deposits last year. Some 15 licensed deposit-takers were granted recognition as banks and a further 15 licensed deposit-takers surrendered their licences as they intended to cease carrying on a deposit-taking business.

Of the seven institutions which appealed against the Bank's decision on licences, six subsequently withdrew their appeals. The Chancellor of the Exchequer upheld the Bank's decision not to grant recognised status to The People's Bank.

The Bank's banking department reported a 15 per cent drop in its operating profits, to £53.2m, in 1981-82.

## Concern at Ulster lay-off

BY BRENDAN KEENAN

POLITICIANS AND trade unionists in Northern Ireland have reacted with concern to the temporary lay-off of nearly 1,000 workers, in Ulster and in the U.S., by the Lear Fan aircraft company.

Unionist politicians are seeking a meeting with Mr Adam Butler, the Minister responsible for Northern Ireland industry.

Trade union officials hoped to get a report from the company, which sent its 560 Irish workers home a week before their holiday.

It is thought that the company needs to raise $90m more (£50m) to continue development and production of its revolutionary executive aircraft. This is proving difficult in present conditions.

The Government has contributed more than £25m toward the project, and holds a 49 per cent stake through the Northern Ireland Department of Commerce.

● The eight-week sit-in by former employees of De Lorean Motor Cars, which is in receivership, is expected to end next Monday, when 200 are re-employed at the Belfast plant.

## Treasury chief hits at 'spend more' calls

By Robin Pauley

A STRONG attack on pleas for higher public spending was launched by Mr Leon Brittan, Treasury Chief Secretary, on the eve of announcements by two of his Cabinet colleagues that they have beaten the Treasury to win substantial extra money for 1983-84.

Mr Brittan said any room for fiscal manoeuvre raised the options of lower borrowing in order to get lower interest rates, lower taxes or higher public expenditure.

Limiting borrowing to depress interest rates might be the best way to promote industrial recovery. Interest costs were a major element in the cash flow and were an important influence on investment.

On the other hand, tax cuts had many advantages. High taxes were a drag on efficiency and enterprise. Although changes had been made to the structure and balance of taxation the overall tax burden had increased, and the case for reducing it was as powerful as ever.

But higher public spending was the worst option. There was no reason to believe it was a specially effective engine for recovery. One of the main objections was that higher spending gets built into the base for the next boost to spending.

Yet Mr Brittan, as the Cabinet Minister responsible for public spending, has been forced to give way on large bids for more from spending ministers. Total extra bids are in the region of £5bn more than white paper plans.

● Mr Norman Tebbit, Employment Secretary, will today announce a package of employment measures which could add up to £500m to next year's £120.4bn white paper plans.

And Mr Michael Heseltine, Environment Secretary, will announce today that he has won an extra £900m to add to the local authority current expenditure target for 1983-84. This means Mr Heseltine has forced the Treasury to raise its council spending plans by more than £2bn in two years.

If all councils followed Mr Heseltine's target of spending cuts of 1.8 per cent in real terms and if no grant was held back and all individual targets were met there could be rate bill cuts averaging about 3 per cent next year.

Although this is unlikely to happen the shape of council spending and grant next year should ensure generally low rate rises but with very sharp disparities — high overspenders being forced to pay through very high rate rises.

The Government will provide £11.8bn in exchequer grant which will mean a cut of about 2.5 percentage points from this year's level of 56.1 per cent of council current spending funded by grant.





## Jersey moves to challenge captive insurance market

Edward Owen on plans for a lucrative new law

JERSEY is preparing to take on Guernsey and the Isle of Man in which could turn out to be a tough competition for the expanding captive insurance market.

Guernsey is currently the recognised offshore insurance base within British waters and the Isle of Man has recently entered the arena in competition with it.

A 121-year-old company law at present prevents insurance companies being formed in Jersey — a prohibition introduced, it is supposed, to protect the inhabitants from insurers with insufficient assets and experience.

While the ban has not altogether inhibited offshore insurance activities in Jersey (local companies can manage captives set up in Bermuda, Guernsey and elsewhere), it has allowed Guernsey to make most of the running.

The finance community in Jersey has been anxious for some years to see this handicap removed, but the authorities have felt there was no great urgency while other sectors of the offshore industry were doing so well. Now the island has decided that when a potentially lucrative source of business can no longer be turned away.

A proposed Insurance Business Law, which should reach the statute book in March or April if passed by the island's parliament in the next session, is drafted primarily to allow only captive and reinsurance companies to be formed in Jersey.

However, it has been made clear that the door will be open to other types of offshore insurance operation if they come from "blue chip" sources and are approved by the finance committee. The Jersey authorities know from developments in Guernsey that once major insurers become interested, their ideas are not confined to captive management.

Basically, though, Jersey's law will open the way for the formation of companies carrying on what is termed "restricted insurance business."

This is defined as insuring the risks of a parent company and its associates, or of a parent group of companies and their associates, and undertaking re-insurance business.

A permit will be needed from the island's finance committee to set up a captive or reinsurance company; and in certain cases Jersey companies already engaged in managing captives registered elsewhere may need a permit.

There is no intention of offering tax-exemption inducements to captives, as in the Isle of Man.

General insurance business carried on in the islandt hrough the local offices of UK company will not be affected, as the law exempts from control any classes of business that the insurer is authorised to conduct in the UK or another EEC country.

There is also provision to grant further exemptions. This, it is pointed out, will allow the Jersey authorities to be flexible in considering, say, an approach from a leading UK or U.S. insurance company wishing to set up an offshore life assurance subsidiary in the island.

If the Insurance Business Law comes into force before Guernsey's long-awaited legislation to regulate its now-sizeable insurance sector, Jersey will be able to claim that it is exercising stricter control than its neighbour, where new legislation is still being considered by a working party.

Meanwhile the reaction in Guernsey has been that the offshore insurance expertise built up in the island in recent years will not be easily challenged either by Jersey or the Isle of Man. Even in Jersey some people fear the island is entering the captive market too late.

Nevertheless Jersey's Commercial Relations Department reports "considerable interest" in the island's potential from leading London brokers and major insurance companies, and a number of captive insurance management companies have already been registered locally in anticipation of the new freedom.

# Lord Denning: a man of independent spirit

**A. H. Hermann** assesses Lord Denning's 20-years as a 'controversial' Master of the Rolls

Ashley Ashwood

Lord Denning

A MAN of independent spirit who believes he knows the difference between good and evil and prefers to trust his conscience rather than dehumanised law books is an anathema to the establishment in many countries.

It says something about the tolerance and self-confidence of English society that Lord Denning, who has these dangerous qualities (and the capacity for hard work to boot) could attain the most important judicial post in the land — Master of the Rolls—and hold it for 20 years.

Lord Denning was severely censured in a Times leader on May 24 for "ill considered remarks on the unsuitability of many blacks for jury service," and for having revealed, in his latest book, that he had undergone two changes of mind in the case concerning the identity of Granada television's "mole" within the British Steel Corporation.

The book was recalled by the publishers and at the same time Lord Denning announced his resignation. This week is his last ordinary sitting in the Court of Appeal. He will relinquish his office at the end of the long summer vacation.

To his books, which were best-sellers, Lord Denning takes the non-lawyer into his confidence. He is a mischievous and provocative man with humour and great charm. Some hate him, many love him, but no one can be indifferent to him.

About The Times leader he says: "It shook me greatly, it shows the power of the Press."

But his bad leg seems to trouble him more than the Press: "I meant to go soon anyhow. My wife has not been well lately, and there are 61 stairs to our flat in Lincoln's Inn and no lift and no central heating. And considering my age" — he is 83—"I prefer to retire before I begin to go off and while I can still do my work."

The offending book "What Next in the Law," will be republished tomorrow (July 28). Roughly a page of the text has been removed containing the controversial passage about the trial of the Bristol rioters, and a few generalisations about different degrees of respect for law in some of the countries from which immigrants come to the UK.

Contrary to the impression given by The Times leader, there was no direct reference to the "unsuitability of many blacks for jury service" in the withdrawn edition, though the tenor was that some blacks together with some white, brown and coloured people, illiterate or without respect for law, are unsuitable.

Lord Denning is still looking to the future. "I don't mean to be idle; I would like to do another book, a closing chapter on the principles of law—addressed as my previous books, not only to the student but also to the educated citizen. I will be free to take part in political controversy, which I am not at the moment, and I would like to help with legislation in the House of Lords, certainly on social matters and on law reform."

He has no patience, for example, with cases of City fraud that take months before a jury which does not understand figures. "For complicated cases of fraud and business crime, there should either be special jurors of the City of London or, alternatively, a judge with knowledgeable assessors."

Minor cases of shoplifting, breaking of windows and fare dodging, he believes, should not be allowed to go before a jury, but should be tried by magistrates.

He is also concerned about the inability of the Court of Appeal to revise its rulings when, on reconsideration, they are found to be wrong or no longer meet changed circumstances. Some believe this contributes to the certainty of law. Lord Denning thinks it makes it uncertain as reasonable judgments depend on the ingenuity and daring of judges wishing to avoid absurd precedents.

"You can carry certainty much too far: if you find differently with new matters put before you, you should be able to say so."

Lord Denning has twice tried to free the Court of Appeal from the shackles of precedent. In the early 1960s and again in 1977, he argued that as long as only the House of Lords could correct an erroneous decision of the Court of Appeal, justice would be delayed—and often denied when the parties did not have the money to appeal.

He received a crashing rebuff from the House of Lords, but the appeal courts in Australia and New Zealand adopted the course which he had advocated.

Statutes, he thinks, could be better drafted. Even the most experienced judges have difficulty in understanding statutes, they all interpret them differently right up to the House of Lords. It would be quite a good plan to state the general principle and let the details be worked out by judges.

Asked to name the main achievements of the Court of Appeal during the 20 years he was its president, he says: "The Mareva injunction which opened the possibility of preventing the escape of funds abroad before judgment; it revolutionised things in the City and transformed a lot of our work; the development of administrative law to curb the misuse of power by local or central government — we enabled Freddie Laker to start his Skytrain; equality and emancipation of women reflecting the change in social feeling; and, finally, responsibility of accountants and other professions for negligence—it took 20 years before the House of Lords affirmed my decision."

# Inspectors to decide on nuclear inquiries

FINANCIAL TIMES REPORTER

FUTURE PUBLIC inquiries into the building of pressurised nuclear reactors will not be bound to deal with local authority and anti-nuclear campaigners' objections.

The Department of Energy said yesterday that nuclear information inspectors would determine the scope of the inquiries.

The department could give no definite ruling on what issues an inquiry should cover, Mr Jeremy Sullivan, representing the department, told the second pre-inquiry meeting into plans to build a PWR at Sizewell, Suffolk.

The Sizewell inquiry, which begins at Snape Maltings in Suffolk on January 11 will deal with general objections.

But local authorities and anti-nuclear campaigners in other parts of the country fear that future inquiries may deal with only "site specific" problems and not general objections to the nuclear power station, such as safety.

Mr Sullivan said that ministers had agreed that future applications for nuclear power stations would be judged on their merits. Scope of an inquiry was a matter solely for the inspector.

No subject could be circumscribed in advance, he said, but it was likely that the Sizewell B inquiry report would be considered a material consideration.

Mr Nigel Lawson, Energy Secretary, is considering a letter from the Sizewell inspector, Sir Frank Layfield, over funding for objectors at the full inquiry hearing.

The lack of funding for opponents of the Central Electricity Generating Board's PWR plan was again criticised yesterday. Mr Lawson recently ruled out public funding for the objectors on the grounds it would set an undesirable precedent.

Sir Frank said he was anxious to see that "relevant and material" documents for which there was no good reason to resist production would be produced.

The Friends of the Earth environmental group complained of difficulty in obtaining documents from the CEGB.

Sir Frank announced that the inquiry would move to London in June and July next year to enable objectors from other parts of the country to attend. The objectors' case was unlikely to start before March 5, 1983.

Lord Silsoe, for the CEGB, estimated that the board would call 40 witnesses and that presentation of its case would last between six and eight weeks.

● The Social Science Research Council has granted £21,480 to the University of East Anglia to fund for a Sizewell inquiry review project.

# Optical fibre cable links to increase

By Elaine Williams

ALL BRITAIN'S major cities will be linked by optical fibre cables by the end of the decade, Sir George Jefferson, British Telecom chairman, said yesterday.

Already more than £40m worth of optical fibre cables has either been installed or is on order.

Optical fibres are hair-thin strands of glass which carry all forms of communications as tiny pulses of light. They can carry a much greater number of telephone calls than conventional copper telephone wire and are more efficient.

Sir George was speaking at the presentation of the Martlesham award to Dr George Newns and Dr Keith Beales for their contribution to optic fibre research.

The two scientists developed a cheap way of producing the glass strands. Their production process has been licensed to British, European and U.S. companies.

Sir George said Britain had maintained its world lead in optical fibre technology and was building Europe's most extensive optical fibre network. About 10,000 km of the optical fibre cables will shortly be in operation.

# Paper industry seeks fuel tariff reduction

BRITISH paper mills are labouring under a 20 per cent disadvantage in the price they pay for energy compared with some of their West German competitors, the Government will be told today.

The complaint is one of a number which Mr David Mellor, Energy Under-Secretary, will hear from an all-party group of MPs together with representatives of the British Paper and Board Industry Federation.

The complainants maintain that British paper producers pay more for oil and electricity than their European competitors. They want the UK electricity tariffs to be amended to cater for the paper and other energy intensive industries.

The claim of a 20 per cent disadvantage against the German industry emerges in the forthcoming annual report of the federation. If mills of equal efficiency in the UK and West Germany charge £500 for a tonne of fine paper, the UK mill's energy bill will be £100 compared with £80 for the Germans, says the report.

The industry is also concerned about the decline in the amount of electricity which it is generating itself by combined heat and power plants (CHP) and the consequent burden of purchasing more from the national grid.

Mr Mellor will be told that between 1975 and 1981 the proportion of electricity generated inside the industry has declined from 59 per cent of its requirements to 34 per cent. The difficulty of renewing CHP generating plants as they reach the end of their life is blamed.

A third grievance is that a continuous process industry does not pay a flat rate all the year round for electricity—the summer rate of 2.9p per kw goes up to 3.3p in winter.

The federation said yesterday that if the Government did not reduce heavy oil tax and ease electricity tariffs for continuous process industries, it should set aside some money to assist industry with energy efficiency incentives to reduce the cost of using energy.

## Banking law chair set up

THE UNIVERSITY of London has established the first chair in banking law in the UK. It is the Sir John Lubbock Chair of Banking Law, tenable at Queen Mary College.

Five clearing banks—Barclays, Lloyds, Midland, National Westminster and Williams and Glyn's—are contributing a total of £250,000, and substantial donations are being made by the Bank of England, the Bank of Credit and Commerce International, Co-operative Bank, the Hong Kong Bank Group and Standard Chartered Bank.

# TUC and Labour to link economic policy campaign

BY JOHN LLOYD, LABOUR EDITOR

THE TUC and the Labour Party will demonstrate the closeness of their relationship later this year when they campaign jointly for the economic policies they have developed over the past two years.

This will be the first time the two organisations—which have been traditionally careful to keep some distance from each other publicly in spite of their obvious links—have together taken their policies to the country.

They will organise a campaign in the late autumn for trade union and Labour party branches in which the policies published by the TUC-Labour Party Liaison Committee earlier this month on planning and industrial democracy will be put across to the rank and file.

A paper approved at yesterday's meeting of the Liaison Committee calls for regional conferences to be held on various aspects of the report, and for its conclusions to be fed into a consultative conference already scheduled for December on Labour's Plan for Jobs.

The plan is for the Liaison Committee's report to be adopted by the TUC Congress and Party conference in the autumn, and then to go to the various regional and local meetings for further debate. Yesterday's paper says these meetings will not be "delegate conferences with official policy-making status"—but that reports from them will be received by the Liaison Committee so it can consider issues arising from them.

The precise status of the Liaison Committee's report is still unclear, though it is widely held that it will commit both Party and TUC to the policies contained within it, and that it will play a central role in the Party's future programme.

● The TUC's Finance and General Purposes Committee yesterday approved a proposal to restructure the General Council. It is certain to be hotly debated at Congress.

As expected, it suggests 37 seats should be allocated automatically to those unions with more than 100,000 members, with the larger unions — 500,000 or over — having two or more seats; 11 seats to the smaller unions, with members elected from a single list by the smaller unions; and six seats for women trade unionists, elected by all the unions.

The proposal accords with the motion passed at last year's Congress which called for a restructured council on the so-called "automaticity" principle. The issue has been the subject of fierce debate with the General Council, a debate which may surface again at tomorrow's Council meeting.

However, it is expected that those unions opposed to the plan will save their fire for Congress where they hope to mobilise sufficient support to overturn it in favour of the status quo. The changes proposed would benefit the right rather than the left on the Council, which is why the debate has become highly politicised.

# GMWU to claim on private refuse deal

BY JOHN LLOYD, LABOUR EDITOR

THE General and Municipal Workers Union is to instigate a claim against Wandsworth Council for breaching the Fair Wages Resolution arising from the council's decision to employ Grandmet Waste Services to take over refuse collection in the borough.

The issue is politically sensitive. The Government has indicated its opposition to the Fair Wages Resolution. It has asked for the opinion of business and other organisations on its operation, and some have already said they wish to see it abolished.

Wandsworth has been to the fore among Conservative councils in privatising its services and has incurred strong union opposition in doing so. It has decided to place a tender with Grandmet after prolonged industrial disruption following its expressed intention to privatise refuse collection.

The resolution, to which the council is a signatory, specifies that rates of pay should be within the range established for the industry. A complaint that the resolution is not being complied with is referred to the Department of Employment and then to the Central Arbitration Committee.

The CAC has the power to adjust the rates to comply with its definition of a fair wage. Under the terms of the contract between Wandsworth and Grandmet, any extra wage costs would be absorbed by the contractor.

The union says the wages Grandmet intends to pay its refuse collectors—ranging from £111 for a collector to £117 for a driver for a five-day week—are "below the range of rates comprising the general level" in waste collection.

The GMWU's reservations on the wages offered are shared by other, unsuccessful bidders for the contract—though none are joining with the union in claiming a breach of the resolution.

Exclusive Cleaning Group "strongly urges a note of caution" over Grandmet's proposed wage rates.

Mr A. R. Barlow, Exclusive's marketing director, says: "It is vitally important, both for the positive development of the private cleansing industry and for the continuation of government policy regarding reductions in public expenditure, which we wholeheartedly support, that the private sector perform efficiently in every instance where an authority introduces contractors.

"I am extremely doubtful whether gross weekly wages between £111 and £117 a week will enable adequate labour of the requisite quality to be recruited."

Pritchard Industrial Services, which already carries out Wandsworth street cleansing, says its proposed wage levels of £130 to £140 a week are "an acceptable minimum level."

Taskmasters, which proposes a similar range, says "the level of remuneration in certain instances is incapable of attracting the necessary labour, particularly bearing in mind the very considerable, even questionable, productivity expected of the operatives."

Mr Morris Heaster, Wandsworth's deputy leader, said yesterday he was satisfied, from the advice given by the council's legal advisors, that Wandsworth was not in breach of the Fair Wages Resolution.

In a background paper to the contract, the council says Grandmet had "followed advice on levels of pay provided by the Job Centre and had adopted rates towards the top or above the ranges of pay identified as appropriate in Wandsworth."

However, the GMWU argues that local rates, and ability to recruit labour, are irrelevant to the operation of the Fair Wages Resolution. Proper comparison is with rates paid to refuse collectors in other London boroughs, it says.

The GMWU has a direct interest in the contract, since its members, who form the bulk of the direct labour force on refuse collection, themselves tendered unsuccessfully for the contract.

GMWU officials believe it was competitive with other tenders, including Grandmet, if the Fair Wages Resolution and realistic manning levels had been observed.

The GMWU, together with the National Union of Public Employees, submitted a tender which showed an annual cost of £2,371,600, compared with Grandmet's £1,993,038. They cut the workforce by more than 50 on the direct labour levels which they had previously operated.

# Barclays executives confident on union threat

By Brian Groom, Labour Staff

SENIOR BARCLAYS Bank executives are privately confident that a threat of industrial action by the main staff union over Saturday opening will collapse.

Leaders of the Barclays Group Staff Union have urged their 35,000 members to vote in a ballot for action—in the first instance, two one-hour strikes—against the bank's plan to re-introduce Saturday opening in up to 460 branches this autumn.

The first 34 branches are to open on Saturday August 14. BGSU wants its members to leave work an hour early on the preceding Friday, and start an hour late on the Monday.

However, this must be sanctioned by a 75 per cent majority. Neither the union nor the bank is publicly predicting the outcome, but bank officials privately calculate that only 40 per cent will vote for industrial action. The result will be known at the end of this week.

Mr Deryk Weyer, Barclays chairman, has written to staff urging them to vote. The bank reckons a high poll will favour rejection of the BGSU plan.

If BGSU leaders win a majority over 50 per cent but below the required 75 per cent, they are likely to take it as a mandate to pursue other aspects of their opposition campaign. They will ask members to refuse voluntary unpaid overtime, of which they say there is a good deal in bank branches.

Barclays will press ahead with its Saturday opening plan even if BGSU takes industrial action. So far about 12,000 have volunteered for Saturday work—enough to open more than 400 branches.

The smaller Banking, Insurance and Finance Union is balloting its 15,000 Barclays UK members on a plan to black Saturday-related work on weekdays.

The bank regards this as potentially a more serious form of action, but it would involve only a minority of staff.

The outcome of the Bifu ballot is harder to predict, since only a simple majority is required.

# Sealink hit by seamen's stoppage

By Our Labour Staff

FERRY companies reported only minor disruption to services from ports yesterday as seamen stopped work for meetings in support of a three-week Sealink strike at Harwich over proposed wage cuts.

The main casualty was the Heysham to Isle of Man route, where a Sealink round trip was cancelled. Some sailings were delayed by up to two hours in ports, including Dover, Holyhead, Felixstowe, Weymouth, and Southampton.

More meetings will take place over the next three days, causing further delays. The National Union of Seamen's port committee chairmen will decide on Friday whether to step up the action, in the light of the support.

Meanwhile informal talks are understood to be taking place to solve the Harwich dispute. Sealink wants staff savings of £1.1m, made up of pay cuts and reductions in manning and time off, from 570 NUS members.

The Merchant Navy and Airline Officers' Association has signed an agreement at Harwich which will save £400,000 a year by reducing pay and altering hours of work.

NUS leaders were privately relieved yesterday at the response to their call for action in support of the strikers.

# Attack on low catering pay

BY IVO DAWNAY

THE WAGE COUNCIL for the hotel and catering industry came under sharp attack from the General and Municipal Workers Union yesterday for "failing lamentably" to protect the low paid.

Mr Fred Cooper, GMWU officer for the industry, said the latest pay rises agreed by the council provided "as much protection for the lowest paid as a colander in a rainstorm."

The settlement gives rises of £3 a week for most of the 670,000 catering workers from October 6, raising basic rates for adults to £64.60 or £54.80 for those who receive tips. However, the juvenile rates of £46.20 and £39.20 are not to be increased.

The council has also decided to raise the deduction for meals on duty by 40p to £6.40, and for board and lodging with meals on duty by 80p to £18.40 a week.

Mr Cooper said the package was the fifth in the past six annual settlements which have been agreed by a majority of employers and independent representatives on the council outvoting dissenting workers' negotiators.

# IPC journalists threaten one-day strike over dismissal notices

BY IVO DAWNAY, LABOUR STAFF

MORE THAN 500 journalists employed by IPC Magazines will stage a one-day strike tomorrow if management fails to withdraw dismissal notices to staff on three publications.

The sackings were threatened yesterday in letters to 60 journalists working on Honey, Titbits and Ideal Home, demanding written undertakings that they would halt industrial action over a 16 per cent pay claim.

Members of the National Union of Journalists in IPC's four divisions—magazines, business press and the publishers, Butterworth and Hamlyn—have been working to rule and blacking non-union copy and photographs for six weeks in support of the joint claim.

Management is insisting on a two-year pay agreement of two 8.5 per cent rises.

An improved offer of a 23-month deal increasing the first rise to 9.3 per cent was made at the Advisory, Conciliation and Arbitration Service last week. However, NUJ negotiators would not accept IPC's condition that the two-year agreement had to be accepted before the offer was formally presented.

## APPOINTMENTS

# Jones and Shipman managing director

JONES & SHIPMAN has appointed Mr R. P. Bull, as managing director. Since 1980 Mr Bull has been joint managing director, working in conjunction with Mr F. W. Brooks, chairman and joint managing director. Mr Brooks continues as chairman.

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Mr Basil W. Lofthouse has been appointed secretary to the NATIONAL ASSOCIATION OF PENSION FUNDS. He succeeds Mr [illegible] Lurkhoo. Mr Lofthouse will also remain secretary of the Investment Committee.

*

[illegible] Shawe has been [illegible] director of GOOD[illegible] the consumer [illegible] division of Good Group.

*

Mr Anthony Edward (Tony) Smith, late of Carreras Rothmans, has been appointed director of sales and marketing at THE MANCHESTER TOBACCO COMPANY.

*

Mr Lindsay Bonner has been appointed managing director of STRAINSTALL from June 21.

*

BRITISH RAIL announces the appointment of Mr L. W. (Ivor) Warburton as chief passenger manager, Eastern Region, York.

*

Mr J. Dennis Clay, has been appointed president of CLYDE PETROLEUM INC., principal U.S. subsidiary of CLYDE PETROLEUM. He was formerly with Sun Oil. Mr Gary W. Burnell has been appointed vice-president finance of Clyde Petroleum Inc. Mr Michael Wheatley, formerly senior engineer with Intercomp, has been appointed senior reservoir engineer at Clyde Petroleum, in Coddington. From existing staff, Mr David Quick, has been appointed co-ordinator of new ventures, and Dr Ian Duncan, has been appointed chief geologist.

*

Following early retirement of the managing director, Mr R. Briggs, at VOWLES FOUNDRIES, Mr W. T. Barnes has been appointed managing director, ferrous division and Mr B. J. Wright managing director of the aluminium division.

*

AL SAUDI BANQUE has appointed Mr Timothy J. O. Barnes as manager, responsible for the UK business development section, at its City branch. He was previously an assistant manager with Khalij Commercial Bank in Abu Dhabi.

*

Mr Alan Parry becomes chairman of CARTER BRITO E CUNHA on August 1. He recently retired from the Sedgwick Group, and is a member of the committee of Lloyd's.

*

New joint chairmen have been appointed by the SOLID FUEL ADVISORY SERVICE to replace Sir Derek Ezra and Mr Peter Brewis, whose retirements as chairman of the National Coal Board and chairman of the Chamber of Coal Traders, coincide. Heading the SFAS national joint promotional committee from this month are Mr Donald Davies, NCB member for marketing, and Mr John H. Pascoe, a director of Powell Duffryn, who was recently elected chairman of the chamber of Coal Traders.

*

Mr Gordon Mylchreest has been appointed marketing director of FIMS, part of the Edward Lumley Group. He was business development manager of the Financial Insurance Group.

*

Mr R. T. S. (Tommy) MacPherson will retire from Mallinson-Denny and the BROOKE BOND GROUP on October 4.

*

Mr Joe Bradley, chief executive of TOWN AND COUNTRY BUILDING SOCIETY, has been appointed managing director.

*

Mr P. K. Studner has been appointed a non-executive director of NEIL AND SPENCER HOLDINGS and Mr J. M. Hargreave has resigned from the board. Mr Studner is currently president of European operations of the American Vollrath Company.

*

HENRY ANSBACHER & CO. has appointed Mr Roger Cort as a director.

*

Mr Robert S. McNamara, former president of the World Bank, is to act as an adviser to the ROBECO GROUP of investment companies.



هكذا من الأصل

# Abolition of HP curbs announced in Lords

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE ECONOMY now has the chance of a modest recovery, which should provide a solid basis for progress, if it is sustained and improved, Lord Cockfield, the Trade Secretary, told the Lords yesterday.

His cautious assessment came during a debate on the economy, in which be announced the abolition of hire purchase restrictions.

The announcement was welcomed by Lord Rootes, former president of the Society of Motor Manufacturers and Traders, who said the car industry would be very grateful for the relief.

But peers speaking for Labour, Liberals and Social Democrats seemed unimpressed and made scathing attacks on the Government's economic record and the present high level of unemployment.

Lord Cockfield, one of the firm monetarists in the Cabinet, told them there would be no change of course in Government policies, and declared: "The path of a recession is not like a tennis hall which bits the ground and bounces sharply up again."

One had to expect the economy to be "bumping along the bottom" before the upturn was clearly established.

Nevertheless, he said, the latest figures on output were encouraging and confirmed the view that, taking one month with another, recovery was under way. The May figure showed a rise in total production of 1 per cent over April, and there was a rise in manufacturing output o f 1½ per cent.

During the debate there waa strong criticism over the level of unemployment, but Lord Cockfield insisted: "The primbary responsibility for this lies outside Government."

He pointed out the worldwide effect of the oil price increases and of big wage claims in the United Kingdom. Once more he stressed the crucial importance of moderate pay settlements.

This year, he expected to see an increase in industrial output, compared with last year, although he felt that it would be somewhat less than the 1½ per cent forecast in the Budget Red Book. Next year, however, he expected a further increase, possibly to about 2 per cent. By then, there abonld be a recovery in the U.S. economy which would reinforce Britain's recovery.

Lord Cockfield: no change in direction of Government policies.

Lord Cockfield complained that it had become fashionable to decry modest economic improvements of the kind recently seen in Britain. But nothing could be further from the truth. Between 1951 and 1964, growth averaged 2 per cent a year, and this permitted a sizeable increase in living standards.

The Government's objective was to reinforce the successes achieved so far—"not to change course, not to mouth shibboleths."

He insisted that the Government was getting matters right and pointed ot the fac that inflation was down o 9.2 per cent, and continuing to fall. Money supply was within the target range of S per ceot to 12 per cent. Public expenditure as a proportion of national income had stablised at about 44½ per cent and would fall further next year. In addition, there bad been a "dramatic improvement" in productivity and cost competitiveness.

He conceded that interest rates were still too high, but reminded the House that they had fallen by no less than 4 percentage points from the peak of last year.

From the Labour benches, Lord Underhill, formerly national agent of the Labour Party, said Government Ministers had been predicting an economic upturn for the past two years. Bnt this was not reflected in the recent survey of the Confederation of British Industry or the quarterly report of the Bank of England.

Baroness Seear, for the Liberals, described Lord Cockfield's speech as "the same old mixtures as before."

She said there seemed to he a complete absence of any realisation of just how deep-seated Britain's economic difficulties were.

Viscount Chandos (SDP) said the unemployment figures showed how tragic it was that sacrifices had been made for so little, as a result of Government policies.

In a Commons written reply, Dr Gerard Vaughan, Minister of State for Trade, made clear that controls on "hiring" are also to end. This means that deposits on cars, television sets and other goods for hire will be scrapped.

Dr Vaughan said: "Abolition of the controls will be of henefit to consumers. I believe that these changes will increase competition in the market and the range of choice for consumers."

● Lord Cockfield bitterly attacked the U.S. embargo on the export of equipment for the Siberian gas pipeline. He said the acion was "wrong and unprincipled." It was an attempt to interfere with existing contract sand "an unacceptable extension of American extra-territorial sovereigntly."

He assured peers that the Government was determined to defend Britain's national interests in the matter.

# Transport subsidy curb planned

A NEW LAW on public transport subsidies which will curb "unrealistic" councils was promised by the Government yesterday.

Mr David Howell, the Transport Secretary, said in a Commons written reply that the legislation wonld contain powers to enable him ta step in "if the effect of GLC irresponsibility continues to be damaging to London Transport."

Mr Howell stressed, however, that the Government believed subsidies to be essential to maintain key public transport systems.

He had been concerned about what level of subsidy was reasonable and whether the organisation was right. Subsidies must be wisely and thonghfully spent and based on real needs "rather than the dictates of dogma."

Although the legislation had worked reasonably well in the past, it had not prevented excessive subsidies by the metropolitan connty councils, which were a significant part of total overspending by local authorities this year.

It was already clear that some authorities might still be contemplating unrealistic subsidy policies for next year. "These could lead to legal challenge from ratepayers, uncertainty and damage for the transport undertakings concerned and those who work in them and confusion aud disruption for the general travelling public.

"I therefore intend to take an early opportunity to introdnce legislation to ensure greater certainty and stability."

Mr Howell said be would be issuing advice to local anthorities on how the proposals affected their current plans.

# Rees still hopes for steel compromise with U.S.

BY IVOR OWEN

FAILURE by the U.S. Administration to provide proper entry for British steel products to American markets would have repercussions over a wider trading area, Mr Peter Rees, Minister of State for Trade, made clear in the Commons yesterday.

While deprecating talk of a trade war, he joined with MPs from both sides of the House in underlining the damage which would be caused by U.S. tariff increases on the scale proposed. The Minister revealed that 200,000 tonnes of the British Steel Corporation's exports were likely to be affected.

Mr Rees stressed that the Government still hope and expected that the latest round of negotiations being conducted by the European Community would lead to an acceptable compromise.

He spelled out the implications of failure in the wider context of international trade in these terms: "I have told the U.S. Administration that what they have done and what they propose augurs very badly indeed for the Ministerial meeting of the General Agreement on Tariffs and Trade (Gatt) in November to which, I happen to know, they attach considerable importance."

Mr Rees was not prepared to match the more direct language of MPs who pressed for outright retaliatory measures by Britain.

At the same time, he did not disguise his annoyance over the fact that, despite earlier indications to the contrary, the U.S. had not been prepared to negotiate a bilateral arrangement with Britain on steel imports, when it became clear that there was no prospect of a wider agreement heing reached with the EEC by last Saturday night.

Mr John Fraser, an Opposition trade spokesman, set the pattern for the bard-hitting exchanges by insisting that the Government must make it clear to the U.S. that a situation in which they wanted to make up the rules for other people to follow, as in the case of the Siberian gas pipeline and energy pricing, was intolerable.

"They must behave like trading partners and not like trading bullies," he declared.

Sir Peter Emery (C. Honiton) emphasised that, even among MPs who regarded themselves as "some of the greatest friends" of the U.S. at Westminster, the action of the U.S. Administration was "absolulely unacceptable."

Mr John Townend (C, Bridlington) called on the Government to be more forthright in its representations and suggested that consideration should he given to increasing the tariff on U.S. textiles and chemicals.

Other back-bench protests highlighted the fact that the British Steel Corporation had beeo singled out as the main target for the new duties proposed by the U.S. simply because it had responded more readily than other steel concerns in the EEC to the need to rationalise its operations.

Mr Rees did not dispute these complaints and gave an assurance that in making representations to the U.S. he had not been "over oppressed" by considerations of delicacy.

The Government, he said, regretted that protectionist action by the U.S. — "we regard them basically as a friendly power and ally" — should have clouded relations and put at risk a range of industries and jobs in Britain.

Peter Rees: talk of trade war deprecated.

In the Lords, Lord Cockfield, the Trade Secretary, also emphasised that Britain did not want the steel dispute to escalate into a trade war. At the same time he emphasised that the Government was bound to protect Britain's interests.

He still hoped that it would be possible to find a settlement acceptable to both sides. But he added: "The simple truth of the matter is that the attempt to open bilateral discussions with the U.S. got nowhere. When it came to the point they were not prepared to enter into such bilateral discussions."

# Lawson promise on Britoil sale

BY OUR POLITICAL CORRESPONDENT

MARKET cooditions, both in relation to the price of oil and the price of oil company shares, will be taken into account before the Government decides the timing of the flotation of Britoil, Mr Nigel Lawson, the Energy Secretary, assured the Commons yesterday.

He failed to satisfy Opposition critics of the sale—the biggest disposal of state assets planned i nthe lifetime of the present parliament—who predicted that, as in the case of Amersham International, it will result in massive losses to the taxpayer.

While indicating that the autumn remains the target date for the sale, Mr Lawson told MPs that there would be no flotation and no final decision about the method of sale until the Commons reassembled after the summer recess on October 18.

Mr Ted Rowlands, a Labour energy spokesman, accused the Minister of baving made a date in November an artificial deadline for the sale.

He claimed that by so doing the "basic pass' had heen said.

Mr Rowlands maintained that, with the present state of the market in oil shares, no one in his right mind would now he contemplating the flotation of Britoil.

Mr Lawson reaffirmed that market conditions would be taken into account before any decision was made on timing. The decision would be taken nearer the time and in the light of conditions at the time.

# Rapier teams in tents

The Prime Minister said yesterday that nearly all British troops in the Falklands garrison were living in ships or buildings. But one squadron of the RAF Regiment was having to live in tents, she told Mr David Ennals (Lab, Norwich North).

Mrs Thatcher said: "I have established that 63 Squadron RAF Regiment has to live in tents because of its operational role, which is to man Rapier batteries deployed around the perimeter of Port Stanley airfield.

# Setback for Labour's list of eligible groups

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE LABOUR leadership's plans for dealing with The Militant Tendency by setting up a register of groups eligible for affiliation to the party received a setback yesterday when the Labour Co-ordinating Committee, one of the most influential groups on the Left, said it had decided against registering at present. It attacked the report which put forward the proposal for a register as "an ill-considered shambles."

The committee left open the possibility of registering at a later date and the odds are that it will eventually do so. It is to put the issue to its annual meeting in November, after the Labour Party conference at which endorsement of the national executive committee's decision to set up a register will be considered.

The first stage of the far Left's attacks on the register is an attempt to persuade all Left-wing groups to boycott it and to campaign against it in the run up to the party conference. A number of extra-parliamentary groups, such as the Campaign for Labour Party Democracy, have already said they will not register, but it had been thought that the Labour Co-ordinating Committee might break ranks on the issue, as it has been in favour of a register in the past.

In a letter to the party's general secretary, Mr Jim Mortimer, however, the committee said that the NEC's proposals introducing criteria of acountability which do not appear in, or derive from, the party constitution." It asked for clarification of a number of points relating to the NEC's discretionary powers.

Militant, and other far Left groups, are organising a campaign of protest against the register, culminating in a rally at Wembley just before the party conference.

The campaign is almost certain to dominate headlines during the conference, although it looks as if enough of the big unions will back Mr Michael Foot, the party leader, to ensure that the register is approved.

The far Left is preparing contingency plans for this eventuality. If the register is approved, most left-wing groups, including Militant, will almost certainly try to register, challenging the NEC to ban them from the party.

# Whitelaw defends statement

By Lisa Wood

THE Home Secretary, Mr William Whitelaw, yesterday defended his statement, given in a Commons answer last week, that Mr Michael Trestrail, the Queen's former bodyguard had undergone positive vetting.

Mr Trestrail, in a statement issued yesterday through his solicitor, Sir David Napley, said that he had not undergone positive vetting until three or four months ago.

The statement said: "It has positively been suggested that Mr Trestrail was positively vetted on appointment and at regular intervals since. That is untrue."

When Mr Whitelaw told the Commons that Mr Trestrail had been positively vetted he gave no dates. MPs formed the impression that the Queen's former bodyguard had been subject to positive vetting on his appointment nine years ago, and at regular intervals since then.

Questioned by journalists yesterday, the Home Secretary, said: "I was asked if he had been positively vetted, I said yes. Nobody can conceivably say that was wrong."

# Warning from Molyneaux

By Brendan Keenan in Belfast

THE GOVERNMENT must expect "determined and fierce opposition" if it attempts to change the law which prevents Mr Seamus Mallon, deputy leader of the Social Democratic and Labour Party, from sitting in the proposed Northern Ireland Assembly. This warning waa given yesterday by Mr James Molyneaux, leader of the Official Unionists.

Mr Mallon is debarred under a 1975 law because of his acceptance of nomination to a seat in the Senate of the Irish Republic.

# Hope of offices for MPs

DEVELOPMENTS OF premises fronting Parliament Street, Westminster, between Derby Gate and Bridge Street for the use of MPs seem more likely after a Government announcement in the Commons yesterday.

Mr John Biffen, Leader of the House, told MPs that the Services Committee bad decided that the premises "should he restored without delay for parliamentary use."

Mr George Foulkes (Lab Ayrshire South) said: "Members are now working in appalling conditions and some of us do not have private offices

# Appeals system for tenants

THE GOVERNMENT is to give tenants who feel they have been given a bad deal over housing benefits a right of appeal. This was announced yesterday during a Commons debate on housing by Mr Hugh Rossi, Minister for Social Security.

In dolug so, be said, the Government bad gone a long way to meet Opposition calls

Reviews would be carried ont by local anthority councillors. "We feel it right that councillors should consider decisions taken by officials,"

# Positive discrimination opposed

BY LISA WOOD

QUALIFICATIONS for entry into the police should not be lowered to attract more ethnic minority entrants according to a new Home Office report, Mr William Whitelaw, the Home Secretary, said yesterday.

Mr Whitelaw, giving evidence to a Home Affairs sub-committee, said that, on the other hand, every effort should be made to attract ethnic minority recruits and modest steps, such as changing the beight requirements, might be sensible.

Describing the report as "valuable"—he said it showed a great deal had been done in ethnic recruitment hut much still needed to be done."

Mr John Wheeler, chairman of the committee, which is investigating progress made on recommendations it put forward in a report on racial disadvantage last year, said that between February 1981 and March 1982 the number of ethnic minority policemen in England and Wales rose from 297 to 354.

Mr Alf Dubs (Lab Battersea South) asked the Home Secretary whether race relations bad improved or worsened during the last year.

Mr Whitelaw said: "There are a great many people io many different fields, inclnding those who have criticised tbe police, who are working extremely hard to improve them. There are other factors that work in the opposite direction. There is a aort of ghetto mentality that develops, bnt I hope we are making limited progress."

Ethnic minorities should be afforded equality nf opportunity, he said, but he argued against discriminating in favour of black people. Sнch action might be dangerous because it could lead to resentment among wbites.

Mr Whitelaw defended the £55m a year allocated by the Government for special projects, under Section 11 of the Local Government Act 1966, and used predominantly for specialist language teaching. Mr Alex Lyon (Lab York) argued that the sum was not enough to deal with the problems of disadvantage of 3m people within one generation.

# THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Specialist centres to promote young enterprises are emerging on both sides of the Atlantic. Tim Dickson and Walter Ellis report

## Nursery in the Netherlands

THE concrete is hardly dry on many a new "Science Park," but already a challenge is coming over the horizon, in the form of the "Business and Technology Centre."

A concept coined by Control Data Corporation, "BTCs" not only offer research and development services to a number of small companies under one roof—or on one site—but also the whole range of secretarial, data bank, communications and other facilities needed to run the entire enterprise, including advice on cash management, financing, accounting, marketing and law.

Over the last three years Control Data has built three such centres in the U.S. and now plans to add 40 more. And it is starting to bring them to Europe, including Sweden, France and the UK (see accompanying article).

In a few weeks' time the roof will go on to the first centre on this side of the Atlantic, in Twenthe, near Enschede, on the Dutch-German border.

Though the three-storey building is not due for completion until January 1 next year, Control Data, which has a five-year management contract with the centre, has already installed basic facilities in temporary buildings, providing assistance for two advance tenants and for seven more who should be busy on the site by the end of this year. It hopes 50 companies will be housed in the centre by 1985.

Control Data has a 33 per cent shareholding in Twenthe, with the other two-thirds held equally by Amsterdam-Rotterdam Bank and the Overijssel Regional Development Authority. All three institutions believe it will prove only the first of a number of similar ventures in the Netherlands, and elsewhere in Europe, the next being located in either Amsterdam or Rotterdam.

In the Netherlands, Control Data is and has been working closely with Amro Bank. Amro has stationed a man in Twenthe to provide advice and assistance on how to set up a business and it is envisaged that full banking facilities for the centre will be established once it has begun to attract a sufficient number of tenants. Amro's full-range of consultancy services should also be available.

Control Data's contract—which it hopes to have renewed in 1987—does not mean that it has a monopoly in the installation of equipment, but it does press its own case and the Twenthe centre has already put in a series of the company's Plato desk computers for use in the education and retraining of workers.

The American corporation also intends to build an information centre, with word processors and data bases and will have responsibility for the provision of secretaries and basic office equipment.

The first two companies to base themselves at the centre are Adee Mondial, a wind power company which hopes to generate electricity from windmills and Humeca, a new medical engineering venture begun by graduates from the nearby technical University of Overijssel; the university's high reputation was one of the reasons for locating the centre in Enschede.

In October, these two will be joined by the Twenthe Micro-electronic centre, part of a government foundation for the teaching of micro-technology.

The provincial government of Overijssel—north west of Amsterdam—helps with the introduction of potential tenants and is already holding talks with several foreign companies considering setting up in the Netherlands but not wanting to commit themselves to constructing separate plant. The BTCs are seen not just as permanent locations for small companies but as a first base for larger concerns.

Guests at the foundation stone ceremony in June were told by Control Data that in America some 80 per cent of new ventures failed, but that BTC companies had a failure rate of only 46 per cent. This showed that the extra help they received was valuable.

It is still early days but if the concept continues to receive financial and government backing, it could well mark the beginning of an era when new companies in the Netherlands can expect to receive more than just a roof over their heads.

W.E.

## A hothouse of invention

AT 39 Nolan Bushnell is a millionaire, a creative genius, and an entrepreneur with an almost messianic zeal.

Colleagues at Atari International, the astonishingly successful video game empire which he set up, once dubbed him "King Pong" after his first video game of that name. Founded in 1972, Atari achieved sales of a staggering $75m in just four years before Bushnell sold out his shares to Warner Communications for a sum believed to be in excess of $15m.

Since then Atari has gone from strength to strength; Pac-Man, the ghost gobbling creature is the star of its latest money spinning video game and turnover is well over $1bn. But in the intervening years Bushnell has also been busy.

He has, for example, already made another fortune from Pizza Time Theatre, a chain of about 130 family eating places, some part owned and some franchised, which offers cheap food and cheap entertainment in the form of electronic puppet shows and (inevitably) an appetising variety of video games. Bushnell devised the business when still at Atari and bought the rights—extremely shrewdly as it turned out—when he sold his stake.

Nolan Bushnell: fostering entrepreneurs at his Catalyst Technology, based near San Jose. A somewhat esoteric investment is a high class restaurant which he wants to become a "Silicon Valley fraternity house"

But an arguably more intriguing, and barely publicised, Bushnell venture has been Catalyst Technologies, a new experiment in fostering fledgling businesses which is allowing him to develop his own and other people's ideas under a single roof.

Catalyst is a loose collection of 10 separate companies which have come together under Bushnell's supervision at a site about seven miles north of San Jose, right in the middle of "Silicon Valley." In this "hot-house" atmosphere, where Bushnell's strategy is to help entrepreneurs through the difficult research and development stage and "train" them for survival in the real world, observers are convinced that something exciting will happen, enabling the project to live up to its ambitious name.

Set up in December last year, Catalyst is best understood as a concept which, though shaped and managed by an eccentric individual, contains many of the same features as the science parks and business and technology centres being built in Europe.

All of the 10 Catalyst businesses are financed by Bushnell in return for a significant equity stake but they are run by friends, relatives and business acquaintances whose ability he respects (and, of course, vice versa).

In a nutshell the philosophy behind Catalyst is to take as many as possible of the administrative burdens off an entrepreneur's shoulders at the research and development stage—enabling him to get on with doing what he knows best, namely developing a product.

The shelter provided, however, is only temporary. During this period, as well as allowing companies to develop a marketable product, Catalyst provides an education in business disciplines—through formal lectures and courses—designed to teach individuals how to cope with the "real" world.

"The aim is that once a business is ready to go into production and market its product it will be ready to leave the fold," explains Larry Calof, the ex-attorney brought in recently as Catalyst's president.

"Most of the companies in Catalyst are still at the research and development stage, but we have a couple in the process of spreading their wings." (Another, incidentally, is a high-class restaurant financed by Bushnell and located nearby for the convenience of his own entrepreneurs. He wants it to become a "Silicon Valley fraternity house.")

Adds Calof: "We believe the typical entrepreneur is an engineering type who has worked in a big company where all his needs have been catered for. Suddenly the guy comes face to face with administrative tasks—anything from setting up a payroll or accounting system to finding a copying machine or spare parts—which he finds either boring or frustrating and which he has no experience of dealing with.

"Time is always money in business but particularly so on the edge of new technology where a few months or even a few weeks could mean the difference between being first or second into the market place."

Companies which join "the Catalyst," as participants like to call it, have access to the following:

**Money.** Originally Bushnell intended to raise money to finance Catalyst projects through a public venture capital issue. After observing the fate of one particular public venture capital fund—which quickly went to a discount—he concluded that individual investors are not prepared to take a long term view and decided to do the job on his own. In return Bushnell generally takes a majority equity stake, though this could be diluted at a later stage when conventional venture capital is brought in and employees start receiving equity options (Bushnell is believed to have committed something under $10m so far).

Some sort of outside "seed capital" financing, however, is still contemplated. As Calof points out: "We think there would be a demand for this. Most venture capital funds tend to wait until a prototype is complete before participating. There are few genuine "first round" opportunities.

**Facilities.** The Catalyst building is divided into individual pockets where entrepreneurs can concentrate on their specific activities. Elsewhere communal services include photocopying, the provision of financial statements and business plans.

One of Catalyst's functions is to help entrepreneurs get money from outside sources (eg banks, venture capital funds) once they have passed the "very high risk" stage.

**Education.** Catalyst has 15 full time administrative and financial staff. Topics such as patent protection and how to set up a payroll are covered every couple of weeks in seminars to suit the timetable of the "students."

Everything is recorded on video so that those who miss the "class" can catch up later. "Eventually we want to throw them out," says Calof, "but first of all we want to teach them through these oral lessons and through contact with other people what it is like to be in business on your own."

**Synergy.** Although it is still early days and while entrepreneurs are inevitably guarded about discussing trade secrets, there is some evidence that "coffe break" discussions are leading to closer co-operation, and helping to solve certain technical problems.

T.D.

## Conduit for entrepreneurial exploitation

BUSINESS and Technology Centres (BTCs) could well appear in Britain before long, if all goes according to plan at Worldtech Ventures.

BTCs represent a key element in the strategy of Worldtech, which was set up in March this year by Control Data, BSC (Industry), the Co-operative Bank, Pilkington Brothers and Sun Life Assurance to carry out the ambitious task of "helping to solve Britain's problems of unemployment and urban decay."

The experiment inspired by Control Data in the Netherlands (see above) may be the first of its kind in Europe, but it is likely to be on a smaller scale than that which Worldtech will be attempting in Britain in the next few years.

In both cases Control Data is participating alongside local partners with one of the main aims being to transfer ideas and techniques pioneered in its urban revitalisation programmes in the United States.

In each case, its motives are unashamedly commercial, if flavoured with social rhetoric. It has long been the philosophy of William Norris, Control Data's chairman and chief executive officer, that it is possible to address the "major needs of society as profitable business opportunities."

Observers of new and established small businesses in the UK might well consider that the market for self help organisations, enterprise trusts and other assistance agencies has already reached saturation point.

Jack Ward, Worldtech's managing director, acknowledges this view when he points out that "there is far more going on at a local level in the UK than in any other country in Europe and probably any other country in the world."

But the Worldtech partners, who themselves have considerable experience in fostering new businesses—feel these local efforts and resources could be better co-ordinated and that new ideas can be grafted on. That is where they hope—through the new organisation—to make a significant impact.

Worldtech will be concentrating its activities on the depressed regions of the UK but its precise strategy will be adapted to the local environment and will make use of what is already available.

Jack Ward: reckons that the UK is the most active in self-help

All the same, Ward suspects that "there will be very few instances where a business and technology centre will not be a core activity." Although the objective is to offer access to finance, marketing, training and management facilities, the key to the programme, as the name suggests, will be the transfer of technology as part of Control Data's existing international Worldtech network.

As such, Worldtech in the UK will be a conduit for matching up people and organisations with a successfully marketed product to entrepreneurs in a position to exploit it elsewhere.

Worldtech Ventures' plans, it should be stressed, are still at a very early stage. The first major "feasibility study" is just beginning in South Glamorgan where BSC (Industry), the Welsh Development Agency, the County Council and the European Coal and Steel Community (ECSC) have just agreed to put up £41,000 to pay for the work.

Americans with experience of BTCs are being flown in to make an assessment of the possibilities. Ward says conditions vary from region to region "and the solutions are therefore bound to be different in each case."

T.D.

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# FT COMMERCIAL LAW REPORTS

## No laytime when loading stopped by weather

GEBR. BROERE BV OF DORDRECHT, HOLLAND v SARAS CHIMICA S.P.A. OF ITALY
Queen's Bench Division (Commercial Court): Mr Justice Parker: July 22 1982

**WHERE a charterparty specifies the laytime period allowed to charterers for loading and discharging "weather permitting," there shall be excluded from calculation of laytime any periods during which the vessel would have loaded but was unable to do so because weather either prevented her from getting into berth, or caused her to leave it.**

Mr Justice Parker so held on an application by Saras Chimica SPA of Italy, charterers, under section 2 of the Arbitration Act 1979 for determination of a point of law arising in the course of a reference to arbitration of claims made by Gebr. Broere BV of Dordrecht, Holland, shipowners, under four separate charterparties.

* * *

HIS LORDSHIP said that the charterparties provided for vessels to proceed to one safe berth at Sarroch in Sardinia, to load there, and to proceed to one safe berth at Le Havre. Each charterparty in its original printed form fixed lay-time by providing that a specified number of "running hours . . . weather permitting, shall be allowed to charterers for loading and discharging."

The Sarroch port authority closed the port owing to weather conditions for a period between expiry of notice of readiness and completion of loading. The vessels were either unable to get into their berths, or having reached them, had to leave them.

The dispute concerned the calculation of laytime. The owners contended that "weather permitting" interrupted or extended the fixed period only where weather in fact did not permit loading. The charterers contended that the fixed period was extended by any period during which bad weather would have prevented loading if the vessels had been in berth.

The charterers relied principally on two authorities, the *Darrah* [1977] AC 157 and the *Camellia and Magnolia* [1978] 2 Lloyd's Rep 183.

The *Darrah*, like the present case, concerned a port charter. There was a specific provision that time lost waiting for a berth should count as laytime. The vessel was unable to get into berth due to congestion. The House of Lords held that in calculating time lost waiting for a berth, the vessel must be treated as if she were in fact in berth.

The charter in that case provided for discharge at a particular rate per "working weather day." Lord Diplock, at page 166, specifically mentioned that days on which working would have been prevented by weather, had the vessel been in berth, should be excluded in the computation of time lost.

The owners' contention in the present case did not make commercial sense. Two vessels might arrive at the same port on two successive days, each with five days for discharging under port charters. If the first went straight into berth but could not load for five days due to weather, those days would not count. If the other vessel, arriving a day later, could not get into port for five days due to bad weather, she would incur demurrage immediately on getting into berth. The owner would have a bonus. The charterers' contention, however, did make commercial sense.

In the *Camellia* Mr Justice Brandon held that "per weather permitting working day" meant "a day on which work would have been done but for the weather," and that any period during which rain would have prevented discharge, had the vessel been in berth, was excluded from laytime.

There was no material difference between a clause which fixed laytime by reference to "working days weather permitting," and a clause which did so by reference to "running days weather permitting," or, as in the present cases, by reference to "running hours weather permitting."

The *Darrah* and the *Camellia* were therefore authority for holding that in the present cases there must be excluded from the computation of laytime any periods during which weather would have prevented loading had the vessels berthed on arrival.

Bad weather might not only prevent loading, but might also make it necessary for a vessel to leave her berth, or to refrain from going into berth, for the sake of her own or her cargo's safety. It was well established that laytime would not, in the absence of exceptions, be interrupted if the safety of the vessel and her cargo justified the removal of the vessel from her berth; but "weather permitting" created an exception: see *Reardon Smith Line Ltd* [1963] AC 691 per Lord Devlin at pages 740 and 744.

It followed that if a vessel refrained from going into berth, for her own safety, laytime would be interrupted if the weather would have prevented loading and would have required her to leave had she been in berth. It would not be interrupted if she could not reach her berth for safety reasons, unless loading would have been interrupted by weather had she been in berth.

The real question of law in issue between the parties was whether, on the true construction of the charterparties, there were to be excluded from computation of laytime used up either: (1) no periods from expiry of notice of readiness (save shifting time). (2) all periods from such expiry during which, had the vessel been in berth, weather would have prevented loading which would otherwise have taken place.

The answer was no to the first question, and yes to the second.

*

It was necessary to refer to section 2 of the Arbitration Act 1979, under which the present application was made. Section 2(2) prohibited the High Court from entertaining an application to determine a question of law arising in the course of a reference to arbitration, unless it was satisfied that determination of the application might save substantial cost, or the question of law was one in respect of which leave to appeal was likely to be given.

In the present case the application was made with the consent of all parties, and with the tacit consent of the arbitrator. Section 2(2) had no application where all parties consented. It applied only where the applying party lacked the consent of another party, even though he might have the consent of the arbitrator.

In such circumstances the terms of section 2(2) made it necessary that a preliminary application for leave should be made. *It should be included in the summons to fix a date for the hearing of the main application, and no date would be fixed unless the court was satisfied that the requirements of section 2(2) were fulfilled. Where, however, all parties consented, a date might be arranged with the clerk of the Commercial Court without any summons.*

*For the charterers: John Speed (Arturo Barone).*
*For the owners: Stephen Males (Constant and Constant).*

**By Rachel Davies**
*Barrister*

## RACING

BY DOMINIC WIGAN

GLORIOUS GOODWOOD: for many southern and London-based racegoers the most enjoyable race meeting of the entire summer gets under way this afternoon with a good first day card.

The day's major crowd-puller, the Stewards' Cup, is supported by the Gordon Stakes and the Molecomb Stakes, the New Ham Stakes and an intriguing new event, the Oak Tree Stakes. The Charlton Stakes, a £6,000 handicap, makes up the programme.

Thirty runners, the same as a year ago when Crews Hill defied 9 stone 9 lb, line-up for the William Hill - supported Stewards' Cup. Despite the competitiveness of the field, the race has a short-price favourite in Celestial Dancer.

Almost ideally drawn at 27, the Tony Hide trained three-year-old ridden by his brother, Edward, seems sure to go well. However, at odds of about five to one he can hardly be said to represent betting value.

Two who appeal more on that score are Scarrowmanwick, drawn next to the favourite at 28, and Lindsey, at 30.

Although the Tickled Pink *colt Scarrowmanwick* will prove extremely difficult to peg back if caught in the right mood, he is not now the most consistent of sprinters, and I prefer to rely on Lindsey.

Only just above Scarrowmanwick's stable companion, Town Flier at the foot of the handicap Lindsey, a brown daughter of Mummy's Pet, ran a fine race against Silojoka at Lingfield.

The opening Oak Tree Stakes has attracted Chalon, the country's leading three-year-old filly at seven furlongs or a mile. Later in the afternoon Jalmood reappears in the Gordon Stakes. He is suggested as the day's best bet, despite the presence of Lyphmas and Touching Wood.

**GOODWOOD**

2.00—Chalon
2.30—Rutland
3.10—Lindsey**
3.45—Jalmood***
4.15—Rossett
4.45—On Stage*

# TELEVISION

### BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.20 Cheggers Plays Pop starring Keith Chegwin. 9.45 Jackanory. 10.00 Paddington. 10.05-10.30 Why Don't You . . . ? 1.00 pm News After Noon. 1.30 Bagpuss. 1.45-4.00 Glorious Goodwood: racing in the presence of The Queen. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Lassie. 5.05 Newsround. 5.10 Take Two.

5.40 News.
6.00 Regional News Magazine.
6.25 Nationwide.
6.50 The Wonderful World of Disney: "The Secret of Lost Valley." The second of two parts.
7.35 Hi-De-Hi!
8.05 Private Schulz: Serial set in the Second World War.
9.00 News.
9.25 Four Score Years and Then . . .
10.15 The Good Time Girls starring Anne Kristen and Phyllis Logan.
11.33 News Headlines.
11.35 Late Night in Concert: Highlights from the concert given by Barclay James Harvest.

## Tonight's Choice

A fascinating hour from Thames (all ITV) tonight at 10.30 in the form of **The Shape I'm In**. If you are short, chubby and feeling hard done by, however, give it a miss—you'll find your depression is justified. Physical shape affects the way others regard us, and respect flows in when you are tall and thin.

To be boringly average like me may make a little tougher to get to the top but it apparently helps with life expectancy. Getting the blood to those lofty brains must strain the heart. Perhaps the route to success is a strict diet and elevator shoes.

But if longer life is your aim then **Four Score Years and Then . . .** on BBC 1 may give you pause for thought. The population of Britain is ageing and society seems increasingly incapable of handling the problem. This is a chilling look at the lives of some of today's hospitalised geriatrics and a hint of the even more alarming prospects for those of us who might one day be in the same boat.

ARTHUR SANDLES

### BBC 2

6.40-7.55 am Open University.
10.30-10.55 Play School.
5.10 pm Rehabilitation.
5.40 Yesterday's Witness in America.
6.30 Lord Mountbatten Remembers.
6.55 Six Fifty-five Special.
7.30 News Summary.
7.35 Food and Drink.
8.05 The Past Afloat.
8.30 Our Undersea World.
9.00 John Ford Season: "Sergeant Rutledge," starring Jeffrey Hunter.
10.45-11.35 Newsnight.

BBC 2 Wales only: 11.15 am-12.15 pm and 2.15-4.45 Bowls Ar Y Lawnt Gamog: Cymru v Lloegr.

### LONDON

9.30 am Rocket Robin Hood. 9.50 Wild, Wild World of Animals. 10.15 The Nature of Things. 11.10 The History Makers. 11.30 Paint Along with Nancy. 12.00 Pullover. 12.10 pm Let's Pretend. 12.30 The Sullivans. 1.00 News plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Emmerdale Farm. 2.00 After Noon Plus. 2.45 The Spoils of War. 3.45 Father Dear Father. 4.15 Dr Snuggles. 4.20 Runaround. 4.45 What's Happening? 5.15 The Real World.

5.45 News.
6.00 Thames News with Rita Carter and Colin Baker.
6.25 Help! Community action with Viv Taylor Gee.
6.35 Crossroads.
7.00 Looks Familiar: Host Dennis Norden invites Max Bygraves, Beryl Reid and Eric Sykes to take a trip down Memory Lane.
7.30 The Video Entertainers.
8.00 The Streets of San Francisco.
9.00 Playhouse.
10.00 News.
10.30 The Shape I'm In.
11.30 Alice—A Fight for Life: The Debate.
12.00 Barney Miller.
12.25 am Close: Sit up and Listen with Fred Truman.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

**ANGLIA**
8.30 am Sesame Street. 10.30 Friends of My Friends. 10.55 Joe 90. 11.25 The Flying Kiwi. 11.50 Captain Nemo. 12.30 pm Gardening Time. 1.20 Anglia News. 3.45 Robin's Nest. 4.20 Runaround. 6.00 About Anglia. 7.00 Survival. 12.00 Superstar Profile. 12.30 am Tuesday Topic.

**BORDER**
8.30 am Larry the Lamb. 9.40 Evolution. 10.00 Cool McCool. 10.20 Target the Impossible. 10.40 Bailey's Bird. 11.00 321 Contact. 11.30 Johnny's Animal Operas. 1.20 pm Border News. 3.45 A New Kind of Family. 5.15 Staying Alive with Eddie McGee. 6.00 Lookaround Tuesday. 7.00 Robin's Nest. 8.00 Simon and Simon. 12.00 Border News Summary.

**CENTRAL**
9.55 am Our Incredible World. 10.20 In Concert. 10.45 The Incredible Hulk. 11.30 The Crazy World of Sports. 12.30 pm The Young Doctors. 1.20 Central News. 3.45 Robin's Nest. 5.15 Mork and Mindy. 6.00 Crossroads. 6.25 Central News. 7.00 Private Benjamin. 8.00 Magnum. 12.00 Replay "Orgnet," starring Jack Webb.

**CHANNEL**
12.30 pm The Electric Theatre Show. 1.20 Channel Lunchtime News, What's On Where and Weather. 3.45 Survival. 5.20 Crossroads. 6.00 Channel Report. 6.15 Stingray. 6.30 Private Benjamin. 7.00 Robin's Nest. 8.00 Simon and Simon. 10.28 Channel Late News.

**GRAMPIAN**
9.40 am First Thing. 9.45 Sesame Street. 10.45 Project UFO. 11.30 Al Oeming Man of the North. 11.55 Undersea Adventures of Captain Nemo. 12.30 pm Paint Along with Nancy. 1.20 North News. 3.45 Clagg's People. 6.00 Summer at Six. 7.00 Robin's Nest. [illegible]

**GRANADA**
9.30 am Larry the Lamb. 9.40 Evolution. 10.00 Cool McCool. 10.20 Target the Impossible. 10.40 Bailey's Bird. 11.00 321 Contact. 11.30 Johnny's Animal Operas. 1.20 pm Granada Reports. 1.30 Emmerdale Farm. 2.00 Hands. 2.30 Home Front. 3.45 Paint Along with Nancy. 5.15 Happy Days. 6.00 This is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 7.00 Robin's Nest. 8.00 Simon and Simon. 12.00 The Living Legends of Jazz.

**HTV**
9.35 am Sesame Street. 10.35 Tuesday Feature Film. [illegible] Gardening Time. 1.20 HTV News. 3.45 Survival. [illegible]

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Cei Cocos. 4.15-4.45 Ar Ei Ol. 6.00 Y Dydd. 6.15-6.35 Report Wales. 10.30 Gwyl Gerawl Caerdydd 1982. 11.20-12.20 am The Shape I'm In (As HTV West, 10.30pm).

**SCOTTISH**
10.00 am Once Upon a Time. 10.25 Bailey's Bird. 10.50 Pro-Celebrity Angling. 11.15 Little House on the Prairie. 12.30 pm Gardening Time. 1.20 Scottish News. 3.45 Real World. 5.15 [illegible]

**TSW**
[illegible] ...bun's Magic Birthdays. 6.00 Coast to Coast. 7.00 Robin's Nest. 8.00 Simon and Simon. 12.00 Company.

**TVS**
[illegible]

**TYNE TEES**
9.20 am The Good Word. 9.25 North East News. 9.30 Clegg's People. 9.55 The Music of Man. 10.40 Bailey's Bird. 11.05 The Nature of Things. 11.55 The Undersea Adventures of Captain Nemo. 1.20 pm North East News and Lookaround. 3.45 The Riordans. 5.15 Survival. 6.00 North East News. 6.02 Crossroads. 6.25 [illegible]

**ULSTER**
[illegible]

**YORKSHIRE**
[illegible]

**RADIO 1**
[illegible]

**RADIO 2**
[illegible]

**RADIO 3**
[illegible]

**RADIO 4**
[illegible]



# COMPANY NOTICES

## BANQUE NATIONALE DE PARIS

Mr. René THOMAS, Administrateur Général, Mr. Jacques WAHL, General Manager, Mr. François HECKER, Deputy General Manager, together with a delegation from BANQUE NATIONALE DE PARIS, visited the Soviet Union, from July 5 to July 8, 1982, at the invitation of the STATE BANK OF THE U.S.S.R. and of the BANK FOR FOREIGN TRADE OF THE U.S.S.R.

[illegible]

These talks were very friendly and constructive. [illegible]

[illegible]

KONISHIROKU PHOTO INDUSTRY CO. LTD.

NOTICE TO EDR HOLDERS

[illegible]

THE CHASE MANHATTAN BANK, N.A., London as Depositary.

July, 1982.

**GRINDLAYS EUROFINANCE B.V.**

US$25,000,000

Guaranteed Floating Rate Capital Notes 1988

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at [illegible] p.a. and that the interest payable on the relevant Interest Payment Date, January 27, 1983, against Coupon No. 5 in respect of US$10,000 nominal of the Notes will be [illegible].

By: CITIBANK N.A., London, Agent Bank.

July 27, 1982.

OTZAR HITYASHVUTH HAYEHUDIM B.M. (Registered in Israel)

NOTICE TO THE HOLDERS OF ORDINARY BEARER STOCK

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# ART GALLERIES

[illegible]

# THE ARTS

## Laszlo Vidovszky/ICA

**Dominic Gill**

My first encounter with Vidovszky's music was at an unofficial "fringe" concert during the Music of Today festival in Budapest in 1975. The New Music Studio of Budapest, of which Vidovszky was one of the founding members, had not been allotted a place in the official programme; and so for two consecutive days I and two East European colleagues were invited to a series of live concerts put on just for our benefit—an attentive audience of exactly three.

In subsequent years the New Music Studio has been brought into the main festival programme, where its concerts have had various degrees of success. But of all the many interesting talents in the group, it has been Vidovszky each year who has continued reliably to turn up with something arresting, unexpected and new. His very unpredictability, indeed, makes his oeuvre almost impossible to characterise: a study for two prepared pianos, an instrumental piece for 52 non-musicians, an "environmental work" for a concert hall and its foyers, a series of little etudes for electric organs, a chamber grand-opera, an "automatic piece" for instruments by themselves with no musicians to play them—at every turn a new avenue, a new perspective.

This makes it doubly difficult to choose a "representative" Vidovszky programme: no single evening, especially without substantial financial resource, can hope to offer more than a glimpse of the range of the work. But it was characteristic of the enterprise of Adrian Jack's Mus ICA series that in The Mall, at least, it should be considered worth a try. Sunday's concert began awkwardly with a performance of *Three-Part Invention No 1* for electric organs out of place in the programme, and isolated from it in a separate room right at the top of the building (since porterage for the heavy organs had failed to arrive)—a slight, pretty piece which would have made a much stronger effect as the hors d'oeuvre to the second half as originally planned.

The early *Double* for two prepared pianos shows a most original, lyrical approach to a traditionally rather desiccated medium—a delicate tracery of colour duet of giant cimbaloms. *Autokoncert* for instruments alone without players is a half-sober, half-hilarious essay in audio-visual entertainment, here beautifully and deftly presented. *Schroeder's Daoth*, too, for solo pianist and three assistants—one of the pieces which left a special mark in 1975—hovers, ambivalent, around the mutual *frontiers of humour and seriousness*.

Schroeder is the famous friend of Charlie Brown. His *practice-scales* (a deceptive tour de force of fast, irregular patterns up and down the whole length of the keyboard) are blocked off gradually, note by note, from inside the instrument, at first merely distorted, but finally muted altogether: the ultimate piece for prepared piano, prepared into silence. About two-thirds of the way through this kaleidoscopic process, which lasts about 45 minutes, the sonority is no longer recognisable as a piano's; rather nice someday maybe to make a Birth of *Schroeder*, and see at what point the kaleidoscope becomes recognisable as a scale?

## ASKI Gamelan/Albert Hall

**Andrew Clements**

Two years ago the gamelan orchestra of the Akademi Seni Karawitan Indonesia were brought to the Proms to share a concert with the London Sinfonietta. On Sunday evening they paid a return visit, this time with a concert to themselves, which was divided between the music and dance of the islands of Java and Bali. The differences between the various gamelan ensembles and musics of the Indonesian islands are complex, but the ASKI programme was designed to give at least a basic grounding in the two most sophisticated and widely known forms. The orchestras for each are markedly different. The Balinese music we heard is a 20th-century development played by the *gamelan gong kebyar*, with an emphasis on brilliance and virtuosity. Its sound world is more metallic and hard-edged than that of the central Javanese music which possesses considerably more subtlety with the predominant metal percussion ameliorated by male and female voices (regarded as part of the ensemble), a two-stringed fiddle, the *rebab*, and several gently resonating instruments that recall the sound of the Western xylorimba.

Each half of the programme took the same form: pieces for the gamelan alone allowed one to get used to the characteristics of the ensemble before the dancers began. Fascination with the subtleties of the Javanese *Godhung Mlothi*, a suite of pieces that alternated vocal and instrumental movements, with its ability to change tempo with the minimum of gear changes, its ever-altering layers of rhythmic variation and the constantly adjusted tonal range, made a strange controst to the static quality of the female dancing. Those rituals were opparently derived from the movements of soldiers in hattle, and the aggressive, abrupt gestures of the male dances that followed produced equally stark juxtapositions.

The brittle, less variegated sound world of the Balinese music presented fewer surprises. Its rhythmic and metric profiles were less remarkable, relying more on simple repetition and syncopation to provide variety. The female dancing, by contrast, fluttered and swirled quite delightfully, while a solo for male dancer to the simplest and seemingly most primitive music of the evening, brought the modern Balinese gamelan hack to its roots in earlier music. Throughout the concert dancers and musicians managed feats of breathtaking co-ordination and virtuosity; a quite memorable event that must encourage the BBC to make non-European musics a persistent feature of future Proms planning.

### Summer Arts Festival at Sadler's Wells

In a major departure from its usual programme of opera and hallet, Sadler's Wells Theatre will be launching its first-ever Summer Arts Festival on Sunday, August 15, with a parsde from Islington Town Hall to the theatre.

Billed as "London's Festival of Community and Ethnic Arts," the following two weeks will show the wealth of local community and multicultural talent in the capital, with singers, dancers, actors and musicians, traditional and modern, from Africa, India, Turkey, Greece, Great Britain, Vietnam, the Carihbean, Ukraine, China and the Middle East.

## Hazlitt, Gooden and Fox

# An idyll of England

**Roy Strong reviews an exhibition of works by Samuel Palmer, a force for good in English art.**

Samuel Palmer needs no introduction as an artist. He is an established cult figure, the romantic seer of the Shoreham decade whose passionate and mysterious images were one of the great discoveries of the 1920s, profoundly affecting the art of the young John Piper, Graham Sutherland and Paul Nash. The exhibition at Hazlitt, Gooden and Fox until September 17th includes some of the most famous of these works among the fifty lent from the collection of the Ashmoleon Museum, Oxford. Unrecognised and hidden away in their own time, they are now familiar at a glance, treasured and loved evocations of a peculiarly English landscape idyll in which God is seen through nature in a strange hermetic Anglican vision in which Bunyan's pilgrim toils his weary way towards a golden age whose roots are Virgilian.

The study of Palmer has inevitably become an art historical industry, spreading its net wide through the more immediate context of William Blake and John Linnell backwards in time to the masters of the northern renaissance, Dürer and Brueghel. Perhaps the best approach is less through style than to place him within the imagery of the English Protestant tradition. All the time that I was looking at these magical landscapes with their formalised sheep and oxen, their sleeping or piping shepherds, their vast trees like torches ablaze, all set beneath an enchanted moon, one's thoughts journeyed back to the fount, to Edmund Spenser's *Shepherd's Calendar*, which re-writ the Virgilian pastoral eclogue in terms of Protestant England. It is an imagery with classical motifs overlaid and transmuted by the reality of the actual countryside in which shepherds tending their flock quickly become, in the gloss, pastors with their congregations. All the great poets of the late 16th and early 17th centuries moved in this hermetic bucolic world and used it as a vehicle for political, religious and personal allegory. Palmer's Shoreham period works in one aspect, probably the major one, picks up the thread, but over a century and a-half on.

Elegantly framed and hung and in the lush premises of a St James's gallery, it requires quite an effort to compose the eye and mind to study these drawings. In *The Valley thick with Corn* a figure in archaic dress, arguably Bunyan's pilgrim, reclines reading a book on a hillock enclosed within a bower of uncut wheat. To the right oxen move through the corn on a hillside whose quirky linear shapes look forward to Richard Dadd. To the left a shepherd sits piping beneath a tree surrounded by his flock. The artist has inscribed on the mount verses from Psalm LXV: "Thou crownest the year with Thy goodness. . . The folds shall be full of sheep, the valleys also shall be thick with corn that they shall laugh and sing."

Move on and look at *The Repose of the Holy Family* from the same year, 1825, in which Dürer and Blake mingle as influences and in which the Virgin and Child and St Joseph rest on a hillside overlooking an idealised Kentish valley rich with the golden tints of autumn. Inevitably this transportation of sacred subject matter on to English soil recalls Stanley Spencer. But both belong to a tradition which casts England within a religious context as the true home of God's chosen people.

As the author of the excellent catalogue, David Blaney Brown, writes, something of that lyrical mysticism lives on in the later etchings as though the medium drew him backwards in his vision. *The Skylark* or *The Herdsman's Cottage* or *Sunset* are lit by an incandescent divine light. It is incidental that that light is the sun as the figures stand or move towards it permeating the trees and fields.

It always comes as something of a shock to realise that Palmer lived on until 1881 and that his most important statement had been made by the age of thirty in 1836. Of course the later work is competent but every attempt to resurrect it has never been really successful. Apart from occasional flashes, such as the *Christian descending into the Valley of Humiliation*, he is just one of a whole group of competent mid-Victorian water colourists and illustrators. If his Shoreham period work, which he kept in a folder, had been destroyed how differently we would now judge him. The man we wish to know is the hypnotic man in the self-portrait, half adult, half boy, whose troubled tortured eyes look through us into some world beyond.

Our interest now is historical for the generation that he inspired with these works has almost gone. It was in its apogee in the art schools of the post-war period. They were a marvellous point of departure for those who wished to combine a concession to international modernism with that enduring romanticism which remains the strongest pulse within English post-renaissance art. We now have the hurdle of trying to look at Palmer's Shoreham period without the overlay of work by those affected by him a century after.

"Early morning" by Samuel Palmer

## Chaim Soutine/Hayward Gallery

**William Packer**

Expressionism is much in the air, and with so many young artists working within a revived and vigorous figuration at home, and such inflated claims being made for the New Imaged Expressionism abroad, it is a good moment to look again properly at the achievement of one of the great masters of expressionism of the earlier part of the century. The Arts Council bss hrought to London (to the Hayward Gallery, where it remains until August 22) the impressive retrospective exhibition of the work of Chaim Soutine, that has been put together jointly by Dr Güse of Munster and Maurice Tuchman of Los Angeles.

But tha problem with Soutine is that so powerful, moving and at times pitishle sra the circumstances of his life, so much do we see acted out before us tha classic case of the artist's final triumph through his work against all the odds, so powerful all the special pleas, that it is hard to see the work itself for what it is. Soutine did have a very hard time: a tormented and impoverished childhood as a Russian Jew in a narrowly orthodox community, escape to the outside world, but only to endure crushing poverty in Paris as a young man, the death of his friend Modigliani, then some success in the thirties and forties, and then the Occupation of France, aod constant anxiety and insecurity in keeping clear of the Nazis. At last death from an ulcer io 1943, aged 50, and burial in Montparnasse.

Perhaps it is right to read so much of this into the paintings, as we see them hung bere so clear and bandsome; just indeed as we feel it reasonahle to read into the late self-portraits of Rembrandt all the introspective pathos of old age, or in Goya strange Black Paintings, his fierce despair at Man's darker nature. Expressionism, after all, is nothing new, and the experience crystallised and fixed so poignantly upon the canvas is real enough.

The power of such painting is, of course, that it is at once hoth expression and objecl, the stimulus immediote and potenl, and the statement achieved with suc hpractiral finesse, so refined, so controlled, so beautiful. Such refinement must be worked at over an extended period, whatever the intensity of the artist's particular feelings, moment hy moment. And it is precisely the conjnnction of such passiooate iotention with such control that excites our own experience of the work. Soutine's Ceret landscapes, that he painted so promiscuously in an apparent frenzy, the imagery so tortured and distorted, are yet so true and recognisable, and indeed beautiful, objects of contemplation now. The fowl hung by the neck, a hideous presentiment perhaps, and yet so freshly, so economically, so cleanly done.

The demonstration brings us round at loal to the point that fioally it is oot the force of the artist's wisbes or ideas that establish his importance or significance, let alone bis greatness. Goya was never alone in his despair, nor Soutine the first to he so deprived. Not what is represented, nor wby, but what is done that is the first thing, and bow, and what it is. The Painting itself must always come first.

# Verdi in San Diego

**Andrew Porter on a 'young Sutherland'**

The San Diego Verdi Festival, held in the summer, with performances grouped across weekends to attract Verdians from all over the couotry, is in its fifth year. The sim is to present all Verdi's operas, each year doing one unfamiliar and one lamiltar: *Giovanna d'Arco* and *Il trovatore*, *Un giorno di regno* and *Nabucco*, this year *Il corsaro* and *Un ballo in maschera*. Both the repertory and, for Americans, the introduction of new artists who have mode a Verdian mark in Europe are important.

This year's "sensation" was Rosalind Plowright, Medora in *Il corsaro*—lustrous, theatrical, and besutiful, mistress both of delicacy ond of passion. It seemed odd casting to have Miss Plowright, o Donna Anna and an Aida, as Medora, the gentler of the two soprano roles; and June Anderson, a Luria os the fiery Gulnare: but in fact it worked. Miss Anderson, for whom the shorthand description is "a young Sutherland," commonded both the roloroturo and the conto d'ozione that the part—created by Barhieri-Nini, the first Lody Macbeth—calls for.

A Mexican tenor, Alfonso Novarrete, was o passable Conrad. The Seyd, J. Patrick Raftery, the young haritone whom some hare tipped as Sherrill Milne's successor, forced his fine voice too hard and tried to achieve by volumr and bluster what could more effectively have been won hy energy and prerision of accent. Tito Capobionco, the director of the San Diego company and of the festival, staged a straighiforward, unfussy, theatrical production. It was well motched to the music, as was Bill Gorgensen's simple, striking décor. Edoardo Müller was a secure and stylish conductor.

That *Il corsaro* is a better work than the old commentators said hecame clear at St Pancras in 1966 (with Pauline Tinsley) and was confirmed by the Philips recording, the Long Island performance last year (with Bergonzi), and again in San Diego. In its compactness, its almost Existentialist libretto, and its hold juxtaposition of new manners with old (in pre- and post-*Macbeth* kinds of number), it is among the most audacious and arresting of Verdi's early operas. We will surely he hearing more of it.

*Ballo* brought Josephine Barstow's 6rst Amelia, and wonderful it was. I will not argue with those who protest that Miss Barstow does not have "a real Verdi voice," if by that they mean o voice with Milanovian ahility to send phroses soaring out in glorious sound. (And like most American opera houses, San Diego's is big — bigger than Covent Garden.) I can only report that across a very wide repertory —Tippett, Prokofiev, Strauss, Verdi, Hadyn — she has never failed to make me feel she has unerringly found her way to the heart of a composer's sense; that among soprano roles—*Poppea*, *Dido*, *Alceste*, even in a small theatre Isoldr and Brünnhilde—there is scarce one I would not eacerly go to hear her sing; and that she brought Amelia to life more fully, more intensely, than anyone else I have hrard.

The Riccardo was Adriaan van Limpt, the West National Ernani—sterling, ringing, steady tone, a slightly dull personality. The Renato, Cornelis Opthof, forced his tones. The Oscar, Janice Hall, was passahle, the Ulrica not (but where dors one find passable Ulricas today?). As Sam and Tom, two fine young basses, John Seahury and Kenneth Cox, made their mark. Michelangelo Veltri, from the Colón, conducted well.

There was handsome (Stockholm) décor, by Zack Brown, horrowed from Washington. Michael Bennison's production missed the big, important drives of the opera and focused instead on fussy new explicatory inventions, unneeded by anyone who knew the opera, confusing to anyone who did not, and revealing in sum a poor comprehension of Verdi's precisely calculated dramaturgy. At the very close, Ulrica, got up as Miss Havisham, tottered on to the stage to observe the fulfilment of her prophecy and steal the final tableau.

Rosalind Plowright and Alfonso Navarrete

### Theatre displays

The history of the independent trade union Solidarity in posters, photographs and other historic material gathered throughout Eurnpe and smuggled from Poland is on show of the Lyttelton Circle Foyer until August 21.

At the Olivier Circle Gallery until August 7 colour photogrphs by Linda Hackett are on show, capturing some of the moods and faces of New York, one of the world's most exciting cities.

In the Olivier up to August 21 new *craftwork* from the South East is on display — a selection of work commissioned by South East Arts, which includes *furniture*, *bookbinding*, ceramics and textiles.

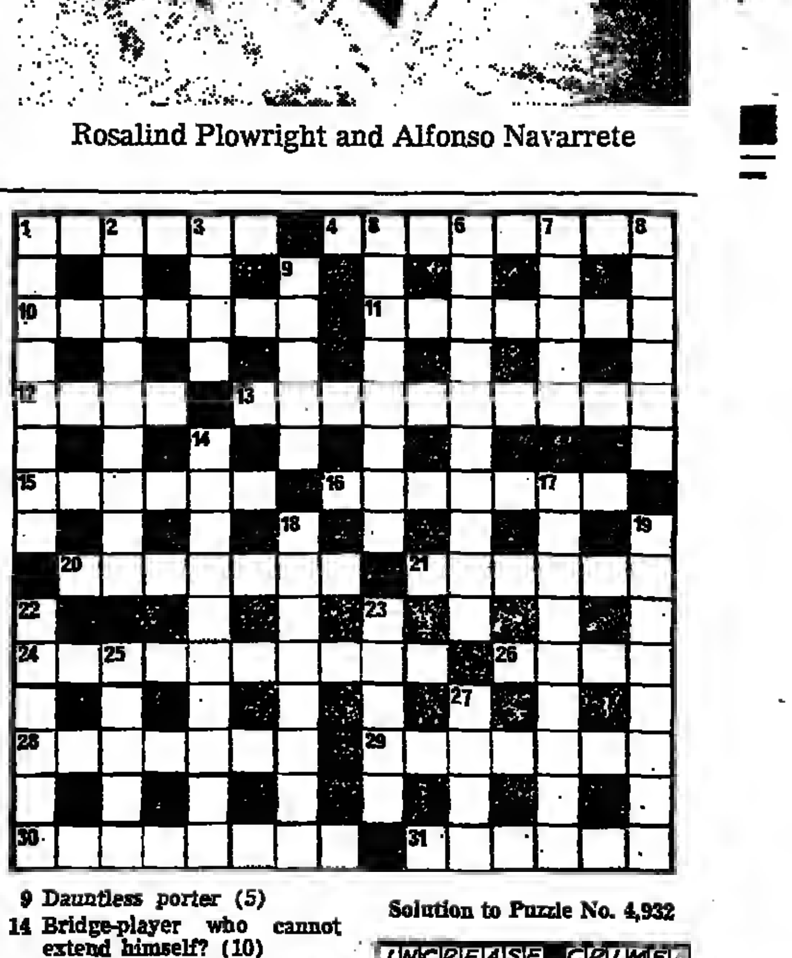
All exhibitioos are open from 10 am to 11 pm, Monday to Saturday. Admission free.

### National Theatre Museum to visit Riverside

The National Theatre Museum has accepted an invitation from Riverside Studios, Hammersmith, to exhibit the highlights of their collection in the Riverside Gallery from September 9 to October 3.



## F.T. CROSSWORD PUZZLE NO. 4,933



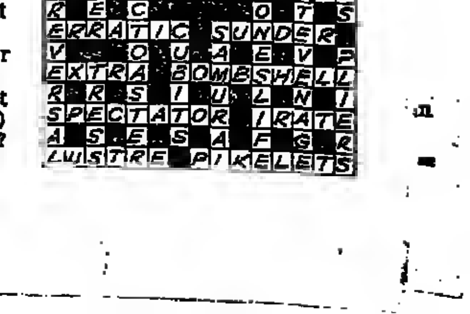
**ACROSS**

1 First service? (6)
4 Irritated by the Strand, tired by it? (5-3)
10 Mild Tenniel illustration (7)
11 Knowing impact of punt on the move (3-4)
12 Low name for a satellite (4)
13 Large paper more than ordinarily devoted to the queen? (5-5)
15 Seat of Man? (6)
16 English diolect (think SE, roughly) (7)
20 Smoother butter (7)
21 How and where nurse might advance (6)
24 Immoderate, like Hamlet's fortune (10)
26 Yield, say, of good player at Wimbledon (4)
28 Fostered as some resolutions are (7)
29 Start of cramp around Lahore? Could he a serious outbreak! (7)
30 Study Jacques for example—fellow-member (8)
31 County seat of Yorkshire? (6)

**DOWN**

1 Husky chap with nothing to say (8)
2 Like Figaro's duties—ordeal taking on so inside (9)
3 Necessity to turn garden over (4)
5 Fitted with high beams, later overdrawn? (8)
6 High hand displayed by aviator? (3-7)
7 Council-chamber seal or purse? (5)
8 Simply Hodges (6)
9 Dauntless porter (5)
14 Bridge-player who cannot extend himself? (10)
17 Does the hank-teller prepare it? (9)
18 Ona is often right hack on the field (8)
19 Where Londoners go for dishes on the aide (8)
22 Kind of law laid down a bit at a time (6)
23 Periodical of the left or right, say (5)
25 Though cut down, the fleet still has means to wound (5)
27 Royal patron of string-trio? (4)

**Solution to Puzzle No. 4,932**



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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday July 27 1982

# The danger of trade war

THE PROTRACTED row about European steel exports to the U.S. raises issues far more serious than the future of one struggling industry. It demonstrates the brittleness of the world trading system which the advanced industrialised countries devised after the second world war.

That system was based on the principles that trade was to be regulated on a multilateral basis and that it should be free of distortions by discrimination and subsidy. Its fathers were inspired by the wish to avoid the ultimately disastrous experience of the 1930s with bilateralism and protection. A rational international division of labour was intended to release commercial and industrial energies for the benefit of all. Trade wars were to become a thing of the past.

The system proved its worth during the great economic resurgence, not only of the industrialised world, during the 1950s and 1960s. Yet today the three leading industrial powers in the world are constantly at each other's throats. Both the U.S. and the European Community have beot the rules to protect themselves against the challenge from Japan and from newcomers on the industrial scene. And now the U.S. and the Community are on the verge of a trade war, the potential extent of which cannot even be gauged.

### Reduction

Warning shots, and maybe worse, have been exchanged. Washington categorically demands a reduction of Community steel shipments to the U.S. The Europeans in their turn have complained to GATT, the regulatory body for world trade, against the American DISC system of granting tax deferrals to exporting agencies founded by American corporations. The European Community, building on the finding of a GATT panel that this system amounts ot an export subsidy, wants permission to hit back by suspending some tariff concessions at present extended to U.S. exporters.

But for the moment the central issue is steel. It is immensely complicated by the fact that the industry is not only in a cyclical depression but also in a worldwide structural upheaval. The days are long past when the great industrial powers were also the natural suppliers of steel to world markets. Steel mills have sprung up the world over. Plastics and other new materials have displaced steel from many of its traditional applications.

Steel, therefore, has become a declining industry both in Europe and in North America. The philosophy underlying the GATT and the world trading system requires a double remedy: greater efficiency, which means lower costs, and the closure of surplus capacities.

### High costs

These objectives cannot be furthered by a system of more or less voluntary export quotas imposed on the Europeans. Such measures will only protect the U.S. steel industry from its own inefficiency and the impact of its high costs. These effects are hard to square with the Reagan administration's supposed devotion to free markets.

The countervailing duties which Washington intends to impose are supposed to neutralise subsidies received by steelmakers in several European countries. The Europeans have undertaken to abolish these by 1985; they must not diverge from that path.

However, in quantifying the subsidy element Washington was excessively harsh, failing to distinguish between steps to preserve outworn structures and assistance to facilitate a pruning of capacity. Such harshness was facilitated by the imprecision of the GATT code against subsidies. In the interests of an orderly trading system we should like to see an early effort to arrive at much more precise, internationally agreed criteria as to what constitutes an illegitimate subsidy. The GATT conciliation procedure could be used to move towards that objective.

Beyond that, it is necessary for all parties to the dispute to recognise that subsidies, quotas and dumping are the wrong remedies for the crisis of the industry. In the end steelmakers in Western Europe and the U.S. will have to adjust to a lower level of demand for their products and a higher level of imports from countries which can produce steel more competitively. Attempts to resist risk setting off a protectionist free-for-all which could have disastrous consequences for the world economy.

# An end to the hire purchase anomaly

THE SURPRISING thing about the announcement by Lord Cockfield, the Trade Secretary, yesterday that hire purchase controls are to be abolished is that it came as late as it did. This is not, after all, a government that believes in needlessly distorting markets or inhibiting personal choice. Nor should the move be seen as part of a wider reflationary commitment. The fact is that hire purchase controls are a remnant of Keynesian demand management days to which the Government has no intention of returning if it can help it.

The chief victims of a tight hire purchase regime have been people on low incomes who have been denied the opportunity to buy cars and other consumer goods. In addition there has been considerable resentment in the motor industry at the discriminatory nature of the controls. Higher deposits and shorter repayment periods were imposed for cars than for other consumer products.

The motor industry has particular reason, then, to feel gratified. Over the past three years demand for new cars has been exceptionally depressed and nothing in recent figures suggests that the market is about to pick itself off the floor on its own. In the year to June new car registrations were running 2 per cent higher than in the comparable period last year.

### Helpful

The Society of Motor Manufacturers and Traders expects the removal of controls to produce a demand in a full year for between 30,000 and 50,000 additional new cars, which is equivalent to between a half and three quarters of last month's new registrations for private cars and vans. Still more helpful will be the effect on the used car market where credit sales are proportionately more important.

Looked at in a wider context the abolition of controls will probably result in a modest increase in real consumer spending, which has been static for the past 18 months. With fiscal and monetary policy undershooting this hardly poses problems for monetary management. Part of the increased output will go towards a reduction of manufacturers' overdrafts; and the likely increase in consumer indebtedness is scarcely relevant, given the authorities' current predilection for overfunding.

### Benefit

Doubts are more likely to focus on the extent to which increased demand will leak to overseas producers. Britain has already seen a perceptible increase in home demand for manufactures as a result of the turnround in the inventory cycle. Yet there has been little or no rise in manufacturing output because other trading nations have been reaping the benefit; a bigger share of the domestic market has been taken by imports.

This partly reflects a secular trend away from manufacturing in Britain. And the motor industry, which has seen import penetration of 58 per cent in the car market over the past 12 months, is at the eye of the storm. Even if voluntary restraint over Japanese imports works, it does not follow that domestic producers will necessarily be the ones that win market share at Japan's expense.

MPs from the West Midlands will none the less be grateful for this offering from Lord Cockfield. It is, however, unlikely that the neo-Keynesians in the Tory ranks, or the advocates of some reflation within the context of the medium-term financial strategy, will derive more than passing satisfaction. The measures that the Chancellor will announce today will be similarly unrewarding.

The Government remains committed to providing economic relief through declining interest rates rather than neat fiscal footwork. But if the Chancellor is in the market for cost-free gestures, he could do worse than consider the consolidation of the reduction of the employer's National Insurance surcharge. For administrative reasons the 1 per cent reduction announced in the Budget has been turned into a 1½ per cent reduction running from this August to next April. No one expects an apparent rise of half a per cent in next year's Budget. Why not, Sir Geoffrey, announce a further "fall" today and grab some modest credit the while?

THE MOOD OF UK INDUSTRY

# Fears of a further decline

By John Elliott, Industrial Editor

KEY areas of British manufacturing industry fear that they are on the brink of a fresh dip into recession. For the first time in more than a year, some chief executives are no longer confident that industrial activity has flattened out and is bumping along the bottom.

Instead, reacting to dismal business reports for April to June which are now dropping onto their desks, they are talking openly of a further and potentially damaging decline, having seen some minor hopes of revival at the beginning of the year.

Even those who are not quite so pessimistic see little hope of a general pick-up in the next six to nine months. This contrasts with their views during the past year when they have generally—and wrongly—been optimistic about some recovery within four to six months.

The fact that there are some buoyant industries—especially those involved in electronics, defence (which has been boosted by the Falklands crisis), and some consumer products—does not dispel the general mood of gloom.

A series of interviews in key industrial areas show that there are hardly any companies anywhere in the UK that have not been affected in some way or other by the recession, and there are signs that managements are becoming tired and frustrated that so little has been gained by the massive cutbacks and modernisation exercises of the past two years.

Until yesterday's announcement of hire purchase relaxations, the motor industry was girding itself for a fresh bout of retrenchment, typified by Automotive Products' announcement of 900 redundancies last Friday and the 850 jobs lost at Lucas a few days earlier. The prospect of BL significantly reducing the amount of components that Austin-Rover buy in the UK could also spell further problems.

In general, labour relations remain good across industry with workers co-operating flexibly in shop floor changes. But some managers are beginning to worry about frustrations breaking out as living standards drop and jobs continue to disappear.

"Among people who I meet from other companies, there were always one or two optimists a year ago. Now that's changed and you don't find anyone forecasting a recovery," says Mr Harry Harrison, chairman of Simon Engineering of Manchester, whose process plant labour force has been cut by 24 per cent in two-and-a-half years. The company's manufacturing and process plant contracting business workload is marginally worse than a year ago.

"Till two months ago we thought we'd be OK but it seems as if the recession is having another bite. Orders have evaporated in key areas that reflect the general state of manufacturing industry," says Mr Ivor Owen, managing director of the general engineering division of Thorn-EMI.

"There were bullish indications in January to March but people's talk about new investments dried up and we had the worst April for our chemicals sales in eight years" says Mr David Probart, chief executive of W. Canning, whose Birmingham-based process plant and chemicals business has been hit hard by the general devastation of West Midlands industry.

Hopes of the building industry slowly leading a gradual economic recovery were also somewhat dashed by the National Federation of Building Trades Employers' latest quarterly report yesterday. "New orders for a wide range of projects throughout the regions remain thoroughly depressed," says Mr Malcolm Fordy, the federation's president, who runs a family building business on Teesside.

It is reports such as these from all parts of the country that have led the Confederation of British Industry and other organisations to press the Government to take urgent remedial action. Almost all CBI regional chairmen agreed about the gloomy prospects at their monthly meeting last Wednesday, and a similar gathering of Department of Industry regional directors a week earlier produced uniformly pessimistic forecasts.

What has happened is that the heartland of British industry has been reduced so drastically in size—especially in the West Midlands and North-West—that there is insufficient volume or confidence to pick companies off the bottom of the recession.

Investment decisions are being held back by the lack of confidence—which is now worsening—and by the level of interest rates. Many companies are still working at 50 to 70 per cent of capacity, having already cut their workforces by 20 to 50 per cent over the past two or three years.

An alarming number of them privately expect to shut more factories and declare more redundancies in the next few months.

Companies such as ICI, Plessey and Rolls-Royce have long-term rationalisation plans which will gradually labour. At ICI Mond on Merseyside for example—where orders have fallen away in the past few weeks—a labour force of 16,000 in 1978 has already dropped to 12,000 and is scheduled to fall to 10,000 by 1984. Plessey Telecommunications, based in Liverpool, has dropped from 12,000 employes three years ago to 9,850 now, and has a planned level of 7,700 in three years time. The Rolls-Royce Derby group has shed 5,000 workers in the past 21 months and is likely to lose another 5,000 from the remaining 18,000 during the next two years.

But in addition to these plans, a large number of companies which believed they had trimmed themselves sufficiently are now considering further cutbacks. These will not be as large as the massive redundancies of 1980-81 but they will be big enough to shake confidence.

"If business does not improve in another year and there is no upturn, then we will have to embark on another cutback and will then be getting out of things," says Mr Eric Swainson, managing director of the IMI metals group which has cut its labour force by 25 per cent over the past two years to 20,000. Other companies may have to act faster.

"In the North West generally there will be more cutting back, albeit it at a slower rate", says Mr Harry Harrison. "The problem is that some parts of industry aren't going to be slimmer and fitter but will be too weak to survive" comments Mr Ivor Owen.

Some companies are becoming specially worried about whether the Government fully realises the implications of these developments on the levels of unemployment, and especially the impact on employment prospects for young people.

"What are the youth being trained for in all these Government schemes? The jobs just won't exist," says Mr Owen.

The building industry is also becoming concerned about its ability first to train, and secondly to provide permanent employment, for young people. Companies in many industries which up to the present have continued to recruit apprentices instead of cutting back, now say that apprenticeships—along with capital investment—will have to come under the microscope in the coming year if business does not improve.

Many companies resent the idea of being pushed into further retrenchment. "So far we have had no significant cutbacks in our potential capacity, but if things fall back again and we have to squeeze more it'll be counter-productive. We'd have to consider cutting our research and development for example," says Mr Alex Masters, chief executive of Compair.

The main problem facing such companies is that their ability to come to terms with Britain's probably permanently reduced industrial base has been knocked by international developments.

First the general U.S. economic situation has hit business. Companies like Simon Engineering, W. Canning, GKN and Renold (which is still facing problems after substantial cutbacks) have also been hit by retrenchment in the U.S. oil and building industries. Other companies—Compair, for example—have lost out because of the unexpectedly rapid decline of the French economy, while others have been hit by economic or political troubles in Eastern Europe, the Middle East, South America and Canada.

Until a few weeks ago, many companies were resigning themselves to the fact that these international factors would force them to sit the recession out for some months to come — "we're battening down the hatches" is a comment frequently heard. They did not like the prospect of a lack of growth but they were at least relieved that the recession appeared to have bottomed out.

Many businessmen could also look for encouragement to some neighbouring company which, through a mixture of luck and skill, was doing relatively well having rationalised its product line, improved its productivity, and cut out its fat.

Some companies such as Westlands, British Aerospace, Rolls-Royce and Marshalls of Cambridge, another aerospace company, have also done well out of the Falklands, which has pushed a variety of large and small orders throughout industry. The MEL subsidiary of Philips in Crawley New Town has done specially well, being saved from declaring fresh redundancies by a 25 per cent increase in its Ministry of Defence orders for electronics equipment this year. It has already cut its labour force from 3,000 to 2,000 in 18 months.

However, these and other successful companies (which may themselves still need further cutbacks) are often isolated examples in otherwise depressed areas. It is impossible to visit a successful company without hearing of the serious troubles encountered by other businesses.

In Ipswich, for example, Reavells, a compressed air engineering subsidiary of Compair, has rationalised its products, cashed in on a growing shortage of foundry capacity to win new orders for castings, and also has had some Falklands orders. But in the same town, many miles away from the industrial heartland of Britain, Lucas has just closed a diesel injector plant, and other companies have been seriously run down.

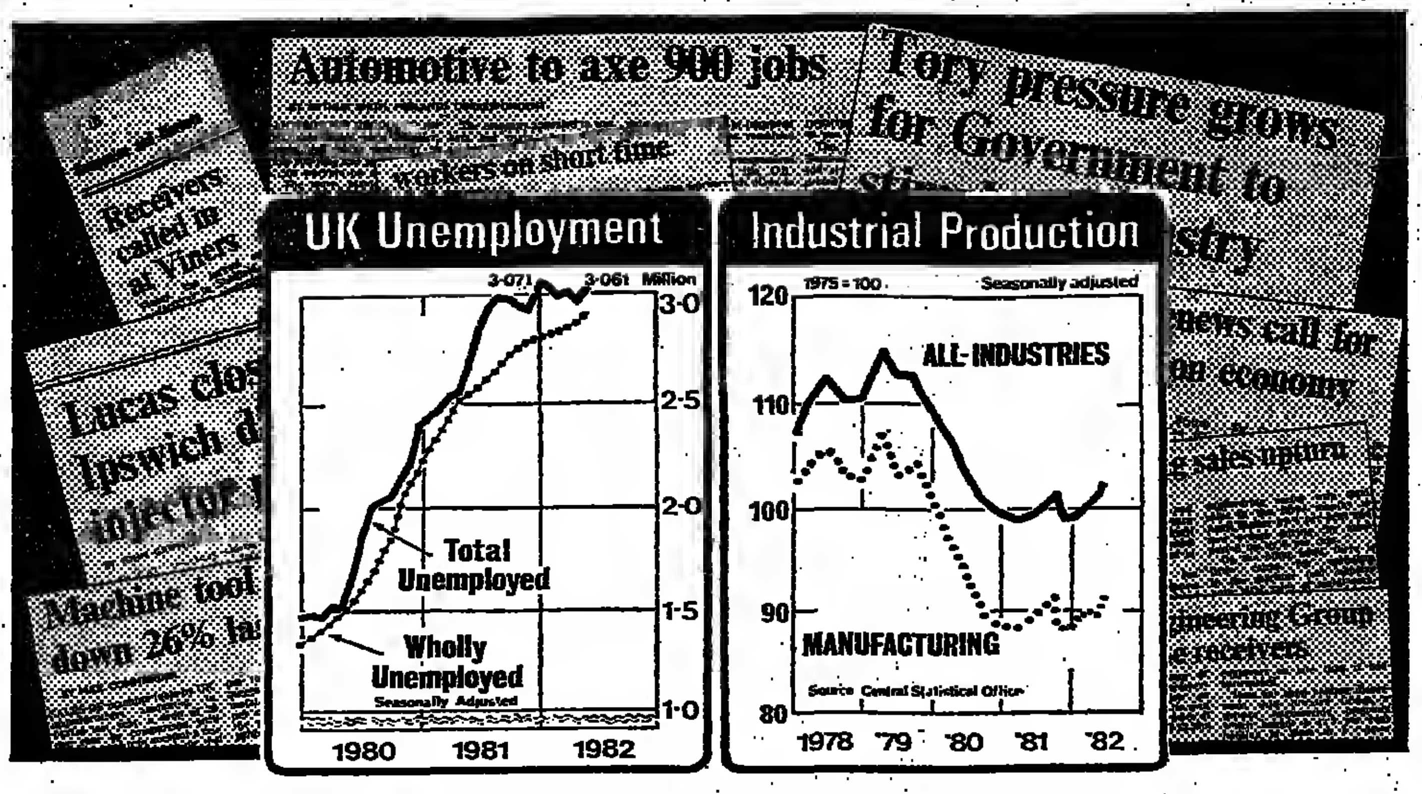
In the West Midlands and the North West where a total of some 400,000 jobs are estimated to have been lost in the past two years, 40 per cent of them in factory closures, the gloom is inevitably much deeper. "We have just found our customers disappearing. There is no way manufacturing industry will ever come back here," says Mr Probert, sitting in W. Canning's shad office looking across the suburbs of Birmingham. His company's labour force has been halved in two years.

Such industrialists want urgent Government action to try to breathe some life into their businesses. The hire purchase relaxations should help, but many want substantial cuts in interest rates — say, down to 10 per cent—in order to generate industrial investment. They also want lower levels of sterling, and many talk wistfully (but often somewhat imprecisely) about how a few new major public projects would help.

Yet basically they know that, apart from the prospect of increased consumer demand, it is really up to them to find the confidence to start a recovery themselves.

"It's the 200 top companies in the UK and the U.S. themselves who will—or will not—generate the upturn," says Sir Trevor Holdsworth, chairman of GKN. "They are all working on cost savings and productivity improvements — wanting to do the same amount of manufacturing, or less, with greater efficiency. But generally they're not planning to invest in growth. So there's no immediate upturn."

*A second article will examine the shape in which industry is likely to emerge from the recession.*




Investment decisions are being held back by the lack of confidence and the level of interest rates

# Men & Matters

## Bohemian life

The highlight of Helmut Schmidt's "private" holiday in the U.S. this month—a stsy at the exclusive "Bohemian Grove" resort in California with his friend George Shultz—is a far cry from the pomp and circumstance which the German Chancellor would be accorded on a state visit. Nude bathing in the open, for example, is among the curious and sometimes controversial traditions at Bohemian Grove, where women have always been strictly excluded (a rule which has resulted in a number of lawsuits, all of which the Grove has successfully defended).

But if the circumstances of the Chancellor's stay in California are unconventional — aoother of the entertainments enjoyed by the vacationers there are drag performances by leading politicians and captains of industry—the company be has kept could not be more staid.

In addition to Shultz, a long-time Bohemian Grove devotee, Schmidt shared the natural pleasures of the Californian outdoors with Alexander Haig, the former Secretary of State, and Henry Kissinger, who gave a talk with thet rather unfestive title of "The Challenge of the 1980s."

This was preceded by another lecture by William Webster, director of the Federal Bureau of Investigation (title unannounced) and followed by an organ concert and the drag stage performance.

On the long country walks between organised entertainments, Schmidt and Shultz would have had a chance to chat with Steve Bechtel Jnr (Shultz's former employer) and Lee Kwan Yew, the Prime Minister of Singapore, another guest for the weekend. The occasion was marred only by the absence of two other Bohemian Grove members, Ronald Reagan and Caspar Wainberger (who decided to cancel his vacation plans because of the Lebanon crisis).

## Rural romp

From a Sussex parish magazine: "The weather was kiod to us and the Vicarage garden was packed with young men and women bent on enjoying themselves. It was the biggest opeo-air fathering in the village for years."

## Self defence

Sensitive to constant complaints from business about the "capricious" administration of EEC competition policy, the Brussels Commission has taken tha natural course of action and appointed another official.

Frenchman Roland Mussard becomes the Community's first "conseiller-auditeur"—a title which is difficult to translate into succinct and meaningful English.

He will act as a guarantor of fairness and balance in the Commission beariogs of allegations of breaches of competition rules. "In exercising his functions," the Commission explains, "he will safeguard the rights of the defence while taking into account the need for an effective application of the rules."

Mussard will have direct access to Commissioner Frans Andriessen and will ensure that a company's defence is heard, says the Commission, with the same objectivity that marks its own eventual decisions.

Such informal bearings are becoming more frequent in Brussels since IBM demanded one so that it could supplement its written responses to the Commission's "statement of objections" which forms the preliminaries to its anti-trust move against the computer giant.

IBM, for one, does not like the Commission's present role as both judge and jury in competition proceedings. But will it, or any other company, feel reassured by Mussard's appolntment? He is, after all, currently employed in the Commission's Directorate General 4, which handlea competition policy as an adviser on restrictive practices and abuse of dominant market positions.

## Going Dutch

Robert McNamara, lately president of the World Bank, will shortly be gazing through his famous gold-rimmed spectacles at balance sheets very different to those he used to peruse during 12 years of managing loans to tha developing world.

He has just been appointed an adviser to the Netherlands' Robeco group of investment companies—the biggest of its kind outside the U.S., with assets of some $5bn. His acquisition, which must be seen as something of a coup for Robeco and a measure of its importance outside Europe, is only the first step towards the realisation of the group's plans to provide support for its top management in Rotterdam by the creation of a new category of drawer advisers. Others are being sought in the U.S. and Japan, and there are likely to be few refusals.

McNamara has certainly been around. A one-time president of the Ford Motor Corporation, be spent seveo years as American Defence Secretary under Kennedy and Johnson before moving on to his long stint at the World Bank.

Robeco is no stick-in-the-mud either. Since its formation in 1935 by a private group of Rotterdam bankers, shippers and businessmen, it has extended its activities into most corners of the world.

Concentrating on shares offering high capital appreciation, the group has major interests in property, property funds and high income stocks. It has no sales force, relies on the recommendation of investors, brokers and banks to sell its shares and prefers as much as possible to keep out of the public eye. The arrival of McNamara, one of the world's better known personalities in recent years, may mark a rising profile.

## Spare rib

Margaret Thatcher's beretical tendencies are coming to the fore.

Last month it was the disarmament movement that she shocked by claiming in her address to the United Nations that nuclear arms caused peace, not war.

Yesterday it was the turn of the feminist movement. The Prime Minister's inaugural Dame Margaret Ashby-Corbett memorial lecture on "Women in a Changing World" may cost her a chunk of the women's vote at the next General Election. But the temptation to unleash the torrent of outrage and abuse which will almost certainly follow was apparently irresistible.

Mrs Thatcher began on an orthodox note with a jibe at Gladstone's 1884 warning that giving women the vote would "trespass upon their delicacy, their purity, their refinement, the elevation of their whole nature." But by the end of ber speech, his words had been elevated into a text suitable for samplers and pokerwork.

"The battle for women's rights has been largely won," she pronounced. Instead of pursuing strident campaigns, women should now be concentrating on upholding the virtues that made the world a better place for their children—"dignity, reticence and discipline" . . . "idealism and convention" . . . "the security of the family unit."

Careers no doubt enhanced women's lives and enlarged their interesta, bnt really, having children remained their "greatest strength and joy," she said.

**Observer**

FINANCIAL TIMES SURVEY
Tuesday, July 27 1982

# New Zealand

The country is passing through what may well be, economically, its most difficult decade. A bold strategy has been devised by Mr. Muldoon to tackle inflation and stop the rise in unemployment. Much will depend on the measures in his Budget

## Policy of 'think big' under fire

By Stewart Dalby

FOR SOME countries with truly intractable problems, the adage that it is better to travel hopefully than to arrive may be appropriate, but for New Zealand, with its essentially sound resource base and small population the road to a restructured and wealthy economy is proving unexpectedly long and uncomfortable.

Many New Zealanders must now be wondering seriously whether the promised land of full employment, some of the highest per capita incomes in the world and a comprehensive welfare state, which slipped away from them in the early 1970s, will ever be regained.

Increasingly, there are doubts not only about whether a rejuvenated economy is feasible, but also over the means the national Government have chosen to achieve it.

Specifically, the cornerstone of the Government's economic strategy, the so-called "think big" policy of developing energy resources as import substitutes and exports in order to break out of the balance of payments constraint straitjacket, seems little understood.

Mr Robert Muldoon, the National Party leader who has been Prime Minister since 1975, has said that the mid-1980s would be the time when the economy and incomes really began to pick up.

Yet, as 1982 rolls on, inflation stands at 16 per cent on an annual basis, and the employment situation is unsatisfactory. Officially unemployment is put at 47,000 people or 3.7 per cent of the workforce, but this almost certainly understates the case. There are large numbers of married women not on the register and youngsters engaged in government-subsidised job creation programmes do not qualify as unemployed. If they are included then official unemployment is at least 7 per cent of the workforce of just over 1.2m. In the late 1960s there was no unemployment in New Zealand.

The jobless figures also ignore the fact that in less than 10 years there has been a net emigration of at least 100,000 people. In the nature of economic migration, the people who leave are those with skills and qualifications who can get work in, say, neighbouring Australia. These are the people New Zealand can least afford to lose.

### Growth prospects

After years of no growth in the GDP between 1975-81—the GDP actually fell in 1977-78—there was growth last year, possibly as much as 4 per cent and there should be some increase this year, maybe around two per cent. The figures are tentative because the Government does not regularly issue its own figures and the economic institutes and forecasters do not always agree.

The economy was also helped in its growth by the fact that last year was an election year. The Government ran a large budget deficit—NZ$1.8bn or just over 6 per cent of GDP—to ease the effects of the world recession, it said.

### Small majority

Back in power, albeit with a precarious majority of just one seat in the 92-member Parliament, Mr Muldoon is now forced to grapple with the high inflation which, in some measure, his high spending policies helped create.

The level of inflation is almost double that of New Zealand's main trading partners. To cut it back, Mr Muldoon last month announced a 12-month wage, price and dividend freeze. The expectation is that he will complement these measures with tax reforms in his Budget, which is due on July 29. It is not clear, however, whether Mr Muldoon, who is also Finance Minister, will be able to introduce sweeping enough reforms to avoid a bruising confrontation with labour.

New Zealand was left with no choice but to restructure its economy. When Britain joined the European Economic Community in 1973, a large portion of the country's market for its major export earners, meat, dairy products and, to some extent wool, was truncated.

At the same time the two oil price shocks of the 1970s meant that the wealth in balance of payments terms New Zealand earned and spent on job-filling protected industries and creating domestic demand was wiped out.

The country tried to find new markets for its traditional products. Lamb to Iran is one example which immediately springs to mind. It also brought on new export earners like forestry and forestry products, and tried to get manufacturing exports off the ground.

The terms of trade, however, moved steadily against New Zealand. So, despite subsidies to farmers in the form of supplementary minimum prices, and protection for industries, incomes have not grown and the balance of payments constraint has remained.

To break out of it Mr Muldoon has pushed his "think big" policy. Essentially this involves a number of projects utilising New Zealand's abundance of hydro electricity, coal and gas. A 50 per cent self sufficiency in transport fuels by 1986-87 is one goal. Since the country is currently only about 10 per cent self-sufficient in transport fuels, the import substitution would represent a substantial saving, theoretically shaving around one third off the balance of payments deficit on current account of NZ$1.2bn at present.

Later on there would be exports of aluminium, urea and the like, which would help reduce the balance of payments from the other side of the equation. The long-term goal is total energy self-sufficiency by the year 2000.

So much for the theory. In fact, some of the projects like a second aluminium smelter have already begun to fall by the wayside. Even were all projects to be realised, however, in practice, the "think big" philosophy has not been to everyone's liking.

Mr Bill Rowling, the leader of the Opposition Labour Party, feels the "think big" policy has been overstressed. He says: "Self-sufficiency in energy as a goal is admirable, but it has become an obsession. It is daft to spend every penny we can beg, steal and borrow on capital-intensive projects which will not benefit us until the 1990s. We should also be spending money on creating labour-intensive industries which use the human resources we have."

Other critics go further. Mr Len Baylis, until recently the chief economist at the Reserve Bank and once a member of Mr Muldoon's specially created "think tank" on the economy, reckons the think-big policy is a "massive red herring." He has calculated that even if all the projects were carried out they would add only 6 per cent to GDP by the 1990s.

His solution to the country's problems is to revert to pastoral products and try to expand their base. He would get rid of subsidies to farmers and incentives to industry since he feels these encourage inefficiency and discourage investment as well as distorting the economy. He would devalue the dollar by around 15 per cent to increase farm incomes and back this up with the necessary fiscal and monetary measures. His analysis perhaps pays scant attention to the fact that the terms of trade for pastoral products are bad and many potential markets are protected.

### Polarisation

All criticism, however, of the "think big" and by extension the way New Zealand is moving is in a sense academic, since the first results of the policy are still a few years off. However, the stagnation which has occurred in the transitional period has meant that New Zealanders have become confused, divided and often bitter.

The polarisation is easily seen in the political process. The National Party majority of 26 seats in 1975 fell to six seats in 1981 and dwindled to only one seat in November 1981. At the same time, the Social Credit Party, until recently regarded as a party of protest, gained 20 per cent of the vote in the 1981 election even though it won just two seats.

The divisiveness is not just confined to politics. Mr Derek Quigley was forced to resign as Minister of Works recently because of his criticisms that the people did not understand what the National Party was trying to do, he says.

"This country has become a country of confrontation. The Government is fighting the unions. The Government is fighting itself. It is fighting its Commonwealth partners. All this came to a head with last year's Springbok rugby tour."

Mr Quigley says he was deeply shocked by the fact that people actually demonstrated when the Springboks arrived. He, like others, was unprepared for the depth of emotion the tour generated and the often brutal official response. The illusion of a harmonious multi-racial society getting prosperous in the Pacific disappeared.

Mr Muldoon, perhaps does not help the country's image of internal confrontation. With his abrasive personality, he seems not only to thrive on conflict but actually to welcome it.

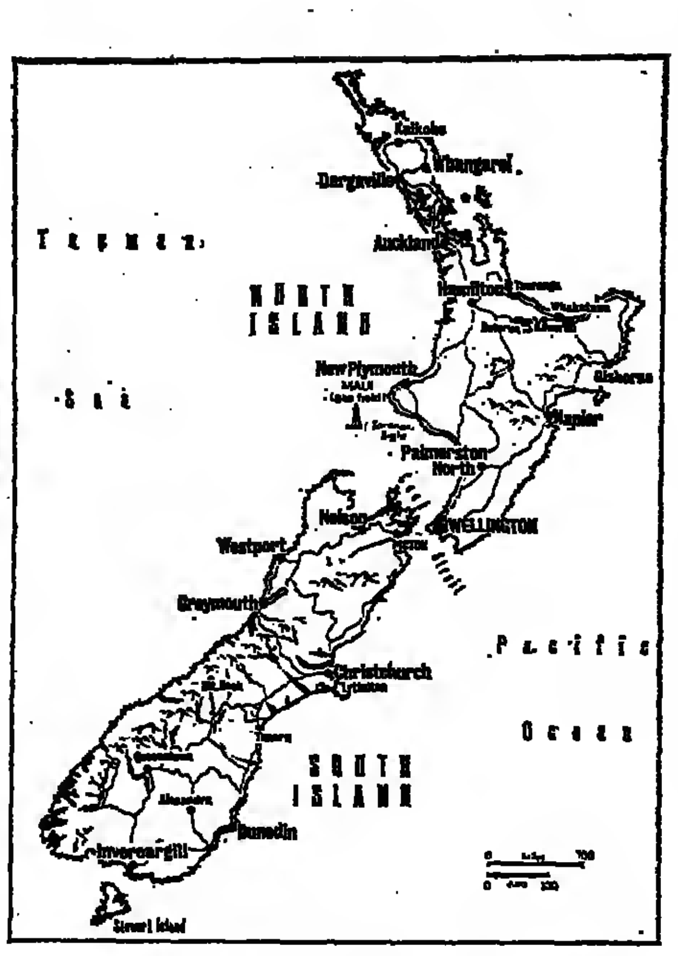
However, New Zealand is passing through what is arguably its most difficult economic decade in its history, largely because of factors outside its control.

What should be said in Mr Muldoon's favour is that he has been bold enough to devise a strategy aimed at tackling his country's predicament and he has been decisive enough to push ahead despite lots of sniping from the doubters. Given that he is shackled by three-year election terms, which play havoc with economic planning, this is no mean accomplishment.

CONTENTS



● Editorial production: Arthur Dawson; design: Philip Hunt.



**Stewart Dalby** looks at the options for the Budget

# Tax cuts may be weapon against inflation

WITH LAST NOVEMBER'S general election safely out of the way, Mr Robert Muldoon, the Prime Minister, has acted to deal with what he and just about everyone else considers the country's most serious immediate economic problem: inflation.

This year it is running at 16 per cent or nearly double the rates prevailing with New Zealand's main trading partners. The feeling is that in a small open economy some imported inflation is inevitable but a large amount of the country's price increases are internally generated, particularly by the Government's habit of running fairly large budget deficits.

Mr Muldoon has decided he must tackle inflation not only because of the inroads it makes into the people's standard of living but also because, if left unchecked, it will impair the country's productive efficiency at a time when New Zealand is trying to diversify its economy away from a heavy dependence on pastoral exports.

The first step against inflation was taken on June 22 when a wage, price and dividends freeze to last 12 months was announced.

The widespread belief is that Mr Muldoon will announce complementary measures in his forthcoming budget which is expected to be on August 5.

## Highly taxed

It is virtually certain that the Prime Minister will seek a cut in direct taxation as compensation for the wage freeze. New Zealand's 1.3m workers are highly taxed, the average rate being 29 per cent. Workers move into a high rate of tax at relatively low levels, subNZ$ 16,000 (£7,100). The rate is 48 per cent at NZ$ 22,000 (£9,800) a year. A single person pays 60 per cent.

One leading economics commentator has predicted that the package Mr Muldoon will try and arrive at is a cut in direct taxes of 20 per cent on the average wage of NZ$250 a week, although of course any tax cuts will not be spread evenly.

Mr Muldoon will be able to do this, the argument runs, without a switch to higher indirect taxes or a tightening of the money supply by a cut of the budget deficit. This is because the Government undershot its own deficit of NZ$ 2.4bn (£1bn) in 1981-82. There is also considerable fiscal drag or what in Britain would probably be called tax buoyancy.

It is by no means certain that Mr Muldoon will not tinker with public spending and increase indirect taxes, even though this latter move would probably add to inflation. Assuming, though, that he does neither and gets a 20 per cent tax cut, say, by other means, would this have the effect of bringing inflation down?

New Zealand has had for some time, *de facto* indexation of wages. Each year there is a central granted wage increase and then a system of collective bargaining which means a generalised increase which has usually taken the level up to the same as the inflation rate, give or take a percentage point or two.

## Calculation

The independent Institute of Economic Research in Wellington has calculated that if the wage freeze succeeds then the inflation rate could be around 10 per cent by March 1983.

There are no guarantees that the freeze will succeed. The Federation of Labour, anticipating the Budget, has already announced that it would take a 50 per cent cut in direct taxes to offset the effects of inflation.

The Prime Minister clearly attaches great importance to curbing inflation however, since by other criteria, namely growth, and softening the effects of world recession on employment, he has been reasonably successful in the past two years.

The switch in direct wage and prices control is something of a turnaround for Mr Muldoon. Some critics have seen the move as signalling the end of deregulation and the Prime Minister's spending for growth strategy.

Until this year, his strategy was to spend money, both on current account and on capital account for long-term investment even if this meant budget deficits and a mounting foreign debt.

## Big loss

The effect of Britain's entry into the European Community in 1973 and the loss of a large part of New Zealand's major market for its pastoral project, taken together with the two oil shocks of 1974 and 1978 meant there was no growth in the economy between 1975 and 1981. There was a drop in GDP in 1977-78, and there was a concomitant shrinking of the employment base.

Until the early seventies, New Zealand made large surpluses on its trading account. Although agriculture was not e large employer, jobs were created by setting up highly protected manufacturing industries to service the domestic merket.

New Zealand was forced to change its economic profile because with the world increasingly protecting itseif against agricultural products end prices for commodities deteriorating, there was a drop in the country's export eernings reletively speaking. This combined with rocketing oil prices, means New Zealand developed a balance of payments constraint.

The cornerstone of the Muldoon strategy to restructure the economy has been the "think big" policy. This involves aatting at a cost of at least NZ£6bn 24 energy-related projects. The rationale is that, by utilising the energy New Zealand has (there is bydro electricity, gas and coal in abundance), a substantial cut in the import bill could be effected by the 1990s and exports could be increased. The balance of payments constraint on growth would thus be eased.

At the same time, the plan was to develop agriculture by finding new markets for the traditional exports of dairy products, meat and wool and bring on new prodncts like forestry. The protective wall eround manufecturing industry would be dismantled and exports could be developed.

All this costs money and at the last count New Zealand's foreign debt was NZ£4.3bn. This can be expected to rise to NZ£6.5bn in the 1982-83 financial year. Servicing the government debt is costing the equivalent of 6.7 per cent of export earnings.

The private foreign debt is probably just as high although nn one in Wellington seems too sure of this figure.

While this restructuring has been going on, Mr Muldoon has been spending money to keep "things going." With prices for its agriculturfal products on the floor, in the past two years the Government has given aid to fermers.

Supplementary minimum prices (SMPs) which are subsidies, although the Government prefers to call them incentives, probably cost around NZ£1.5bn a year. The dollar has also been allowed to "creep" in a series of nominal devalnations. Manufacturing industry also gets help in the form of tax relief for exports.

Apart from this, money has been pumped into the economy to try and keep it buoyant througbout the recession. This spending explains why the bndget deficit at about NZ£2bn is equivalent to more than 6 per cent of GDP and why, when taken together with the price of oil, there was a balence of payments deficit on current account of NZ£1.2bo in 1981-82.

In terms of staving off unemployment Mr Muldoon has only been partially successful. The most recent census puts unemployment at 60.000 or some 4.3 per cent of the workforce. Sinee this figure excludes married women, and 16,000 youths involved in job creation schemes a truer figure is probably 86,000 or nearer 7 per cent of the workforce.

Yet Mr Muldoon could, with some justice, claim that without his spending programmes, employment prospects would bave been far worse.

Moreover, the economy did grow in 1981, for the first time in years. The increase in GDP could bave been as high as 4 per cent. This was mostly due to export volume increases, which in turn were due to climatic factors which might not recur. However, growth for this year has been forecast at 2 per cent. The growth has been translated into increases in per capita terms.

The cost, of course has been reflected in the high infletion. This Mr Muldoon is now trying to correct. At bottom, Mr Muldoon's strategy of restructuring the economy remains unchanged. The inflation policy is a tactical battle within the overall framework.

It has become necessary to correct the course e bit before competitiveness is affected or the balance of payments constraint starts to worry international bankers. It will be some months at least before it is known whether the new course is succeeding.

**BASIC STATISTICS**

| | |
|---|---|
| Area: | 268,276 km² |
| Population: | 3.1m |
| GNP (1980) | U.S.$23.160m |
| GNP per head | U.S.$7,090m |
| Exports (81) | U.S.$5,556m |
| Imports (81) | U.S.$5,285m |
| Balance of payments: | U.S.$1,056m |
| Foreign Exchange Reserves: | March 82: U.S.$308m |
| Consumer prices (inflation): | 1981 15.3% |
| | 1982 (1st quarter) 15.8% |
| Exchange: | £1 = 2.336 NZ$ |
| | $1 = 1.353 NZ$ |

Unpalatable decisions may be needed to cut unemployment

# Battle looms on wages front

TO THE VISITOR, enamoured of New Zealand's natural riches, the country's rate of unemployment aeems a tiny, fragile thing to set beside it's fiords and mountains, forests, streams and lakes—let alone the abundance of agricultural wealth. To New Zealanders, however, unemployment is a dominant social issue, not because the rate is high, by international standards, but because it is so much greater than they are used to.

At the end of June 1982, the number of registered unemployed was 47,000, or 3.7 per cent of the work force. In addition, there were 16,395 people in public sector job-creation achemes, which are fully subsidised by the Government and 13,924 in partially-subsidised private sector work.

The rise in New Zealand'a unemployment has been recent and steep. For most of the 1960s—indeed, until 1974—New Zealand enjoyed virtually full employmeot. At times, tbere were more jobs then workers. "If you could atand up and were warm," says Mr Jim Boiger, the Minister of Labour, "you got a job." As a result, New Zealanders came to assume that there would always be work, for enyone who wanted it. All that has cbanged.

Between December 1976 and December 1981, the number of registered unemployed rose from 4,500 to 50,200. This understates tbe position, for not all tbosa searching for jobs register as unemployed. On census measurements, the number of nnemployed grew from 25,500 in April 1976 to 60,800 in April last year.

There has been some growth in the iebour force since 1976, but the average annual growth in the population of working age (15 to 64) in the years 1976 to 1980, was in fact far slower than in the two decades, 1961 to 1980; taken as a wbolc. The main reason — and one thet partially disguises the true nature of New Zealand's unemployment problem — is the recent large outward migration of those seeking wnrk ahroad.

In the period 1971 to 1975, the net annual inward migration of people of working age averaged 9,600 annually. Over tbe next five years, there was a net annual ontward migration that averaged 22,800.

The main factors behind this outflow of migrants were undoubtedly New Zealand's rising unemployment, and lower domestic living standards compared with those of Australia, where many young New Zealanders bave consequently emigrated.

In Sydney, the number of New Zealanders living at Bondi Beach runs to very many thousands. They eat cheaply, sleep cheaply, and follow the surf. The locals refer to them as "Kiwi bludgers (scroungers)" bnt more affectionately than not.

## Slow growth

According to a recent study of unemployment by the Reserve Bank of New Zealand: "Employment growth since 1974 (in the case of the private sector), and since 1975 (in the case of the public sector) has been extremely slow when compared with historical rates of growth."

Since 1974, privete sector employment growth has everaged only 1,067 jobs annually, compared with an average annual growth in the previous 14 yeers of 13,429. Similarly, average public sector employment growth in the past five yeers bave averaged only 2,020 jobs annually, against much larger growth rates in the previous 15 yeare.

The Reserve Bank says that the exceptionally high growth in private sector output in 1973 end 1974 (10.3 per cent and 5.4 per cent respectively) appears to bave been the key ingredient in tbe employment increases of those two years.

At the same time, real company profits reached a record level in 1974, but they fell thereafter, aversging 92 per cent of their 1974 level in the three years 1975-77, and everaging only 82 per cent of the 1974 level in the period 1978-80. Research suggests that the 18 per cent fall in profits between 1974 and 1980 may have induced a 3 per cent fall in private aector employment, which would bave meant approximately 19,000 fewer jobs in 1980, or 40 per cent of the unemployment level in that year.

Over and above the impact of static markets and falling real company profits is the cost of real wages, which leads many in New Zealand to maintain, as they do in Australia, that a vital etep in the country'a aearch for higher growth and lower unemployment must lie in an overhaul of the wage determination system.

In particular, the unions' insistence on maintaining traditional wage relativities between industries has proved relatively costly in terms of jobs—with the metal industry appearing to be the key industry in terms of establishing benchmarks which the others gleefully follow—or rather, followed.

"Real wages as a cost to the employer," says the Reserve Bank, "that is, wage payments per employee deflated by output prices, increased by 30 per cent between 1969 and 1974. The level decreased thereafter, but the 1980 real wage level remained 24 per cent higher than in 1969. Productivity, meanwhile, had grown by only 10 per cent in the intervening period."

Mr Bolger says that there have been some plus points on the labour front in recent months, bnt egrees that a key stumbling block has been the way in which real wage growth has outstripped productivity.

"Our problem is bow to establish wege rates that help keep employment on an upward path. Of course, we've stopped it all for now, with onr wages freeze, but the hope must be for consensus as to bow to handle wage negotiations, rather than the maintenance of cloaely-linked relativities which offer no ecope on the productivity front."

He says that the Government's "think big" policy entails some direct job creation, but that its main thrust is aimed at the balance of payments and thus at job creation through generation of extra wealth.

Mr Bolger says it is not impossible for New Zealand to recapture the exceptionally higb employment levels of the early 1970s, if that is what it wants but aays that New Zealanders are "starting to realise that our employment successes ere much graater than those found in most developed countries.

"They are now getting the international picture, which is why there has been a slowdown in the number of people going to Australia looking for jobs."

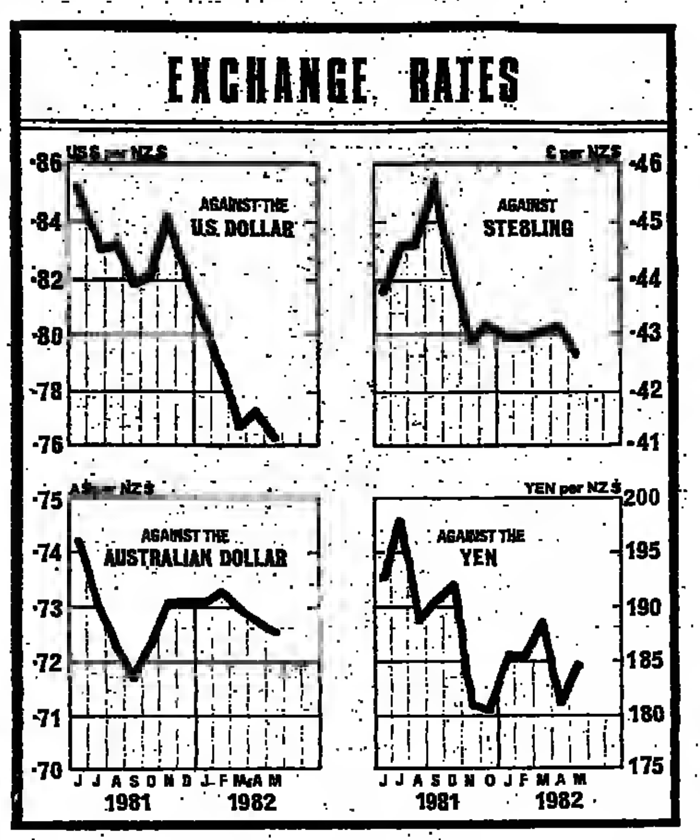
In the view of the Reserve Bank, its research "suggests that over-valued real wage rates are a major cause of New Zealand's unemployment"—the solntion therefore largely depends on some reduction in real wages. Clearly sucb a solution would be unpopular, and perhaps difficult to implement, but the alternative, maintains the bank, may be the even less attractive prospect of long-term, and relatively high, unemployment—high, at any rate, by New Zealand's lofty standards.

Meantime New Zealand is still welcoming immigrant workers, although the Government no longer assists their passage or settlement. The latest occupational priority list issued by the immigration division of the Department of Labour in Wellington runs to seven pages.

It includes accountants, bricklayers, carpenters, die workers, draughtsmen chefs, 16 varieties of engineer fitters and turners, doctors, psychiatrists, nurses, metal moulders, pipe fitters rigger/erectors, shoemakers, orthopaedic footwear makers. Trade union branch secretaries are not on the list, but then neither are journalists.

**Michael Thompson-Noel**

The new pact is part of a larger mosaic: the need to diversify products and export markets, says **Michael Thompson-Noel**




# Closer Australian trade ties welcomed

HOPES FOR a brighter trade picture in New Zealand are not pinned exclusively on the recently-negotiated relations, but it is of outstanding importance, all the same.

Closer trade ties with Australia will be welcomed in New Zealand for three main reasons. First, Australia is now New Zealand's biggest trade partner. Second, closer trade links will cement and help build upon the web of relationships that already exist between them — strategic and geographic, as well as cultural and economic.

Third, it is realised in Wellington that obvious benefits will flow from as close an associationship as possible with Australia's greater natural wealth: the "engine economy of the Pacific region," as the New Zealand Minister for Trade and Industry Mr Hugh Templeton, described Australia in February.

Fears have been expressed in New Zealand that CER (Closer Economic Relations) will operate to the benefit of Australia's larger, more muscular, economy given the disparity in market size, and New Zealand's narrower economic base. For example, the manufacturers' association has said that New Zealand manufacturers bear a greater burden of infrastructural costs, such as freight, taxation, and energy, than their opposite number across the Tasman.

Mr Templeton says however, that "fears of being swamped — New Zealand by Australia; some Australian industries by New Zealand— are made groundless by the designed gradualism of CER and the progress made in industry - to - industry negotiations."

In 1980-81, total two-way trade between Australia and New Zealand grew by 22 per cent, to NZ$1.86bn (£826m). Australia took 13.4 per cent of New Zealand's exports (including re-exports) in 1980-81, making it New Zealand's biggest single export market, where previously it was fourth. New Zealand exports to Australia in 1980-81 rose by 29 per cent, to NZ$815m, putting it ahead of Japan (NZ$785m), the U.S. (NZ$769m) and the UK (NZ$760m). Exports to the EEC excluding the UK, totalled NZ$502m.

At the same time, Australia is not only New Zealand's biggest single source of imports (NZ$1.04bn in 1980-81, up 17 per cent), but also provides a few products of particular importance—in 1980-81, 16 per cent of New Zealand's oil imports, and all its alumina.

Australia is still New Zealand's largest market for manufactured exports (about 41 per cent), and its largest source of non-merchandise receipts. In addition, it remains New Zealand's second most important source of direct investment, after the UK. Over the five years to 1980-81, Australia supplied 27 per cent of New Zealand's total direct investment.

The new relationship, CER, is due to start next January 1 (there is a possibility it may be delayed), and will be phased in gradually by 1995. The final draft agreement was made public last month.

Among its most important points are these: almost all tariffs on trans-Tasman trade are due to disappear by 1988, and all import restrictions to end by 1995. There will be a gradual liberalisation of trade, with base access levels rising by 10 per cent a year in real terms. Export subsidies and incentives are due to be phased out by the end of the 1987 tax year.

Preferential government purchasing arrangements will be extended. The new agreement will be open-ended, but will be reviewed in detail in 1988. Tariffs will start to be phased out from next January 1, with agreed exceptions. A list of 22 items will be subject to a modified liberalisation programme (including wine, metal products, lawnmowers and furniture) though there is a range of items on which agreement still has to reached (including tobacco, clothing, motor vehicles, canned fruit, tyres and electronic goods).

Last month, when discussing the proposed arrangements, Mr Muldoon, the Prime Minister, described CER as "the most significant external opportunity for New Zealand in recent years," and said that it should be seen as an integral part of the Government's growth strategy. "We do not only have to think big," said the Prime Minister, "we have to think bold."

In New Zealand, the CER has been sold on the basis of providing much greater investment and marketing certainty—given that its procedures are automatic, gradual and progressive, and that unlike its predecessor, the New Zealand-Australia Free Trade Agreement, signed in 1965, it tackles the question of direct controls on imports, namely licensing and tariff quotas (in Australia, the move to CER has been less widely touted than in New Zealand, probably because in the Australian scheme of things it looms relatively less large).

CER calls for full anti-dumping provisions, and during the transition period, for provisions to meet "severe material injury" arising either from the measures themselves, or from differences in government support measures. Beyond the transition period, the two governments will consult to consider whether remedial action is appropriate.

In general, CER treats agricultural and industrial products equally. In many cases (meat and wool, for example), trade is already free, and will remain so. In the case of other agricultural products, there are support measures which have been taken into account.

Among the more important products for which special provisions have been made are dairy products, wine, horticultural products, white goods, carpets, and steel.

In the case of white goods, for instance, the trade liberalisation process is to be specially accelerated. In the case of steel, normal CER trade liberalisation formulae will apply for specified products, although there will be further discussions to determine terms and conditions for other products. With horticulture, there are some products where New Zealand will implement an early phase-out of export incentives in return for acceleration of normal CER formulae.

Further ahead, there are a number of "second generation" issues that may offer scope for close co-operation between the two countries—such as company law, foreign investment policy, and transport, which will be addressed specifically at the time of the general review of the new arrangements in 1988.

Mr Templeton says that with CER, New Zealand has the prospect of a larger, fairer, trans-Tasman market, enhanced investment attractiveness, greater industrial efficiency, improved marketing arrangements, and the chance of a stronger role in Pacific security.

However, New Zealand has been at pains to stress that CER is a trade agreement, not the blue-print for a trans-Tasman economic community. CER it is pointed out, does not require extensive harmonisation of economic policies, nor does it in any way compromise the partners' freedom to alter financial and tax policies (apart from export incentives) let alone their own exchange rates, as they see fit.

# Struggle to pay for imports

EFFORTS TO FORGE even closer links with Australia, which is now New Zealand's most important trading partner, have dominated trade affairs in New Zealand for more than three years, to the point where most manufacturers, retailers, producers and exporters are fatigued by the subject.

Yet however large it looms on New Zealand's immediate horizon, the new agreement with Australia is only part of a larger mosaic: the continuing urgent need for New Zealand to diversify her products and her export markets in order to survive.

The scale of the problem confronting New Zealand shows up best by studying the reduced purchasing power of the country's exports. In 1971, the goods and services New Zealand exported earned enough to pay for her imports.

By 1980, however, prices had changed to such a degree that a 25 per cent increase in export volume was required to cover the cost of the same quantity of imports. Thus New Zealand has found it increasingly difficult to maintain the standards of the years of plenty.

The falling value of some of the country's agricultural export products, compared with the cost of imported goods, shows up in the following examples:

In 1973, it took the sale of 570 exported lambs to pay for one imported car; in 1979, it took 910 lambs; in 1980, 1,030. In 1973, it took 28 bales of exported wool to pay for one imported tractor; in 1979, it took 49 bales; in 1980, 78 bales.

Similarly, in 1973, it cost NZ$554 (£236) to pay for the cost of diesel fuel for 1,000 hours of tractor use; in 1979, the figure was NZ$2,297; in 1980, NZ$5,292.

Thus New Zealand, which in many respects is still one big farm, has had to fight doggedly, for virtually a decade, to try to open up new markets, as well as keep the ones it already has. That has not been easy, given its continued heavy reliance on primary products, and the reduction of its traditional trade with Britain.

In terms of overseas exchange transactions, a total of NZ$4bn (£1.7bn), or 61.3 per cent of New Zealand's exports in the year to December 1981, was derived from meat, wool and butter. Forest and other animal and primary products totalled NZ$1.34bn (out of total exports of NZ$6.52bn). On the other hand, at NZ$1.1bn, manufactured exports were only marginally higher than in 1980 (NZ$965m).

New Zealand has adapted well to the changing trade picture, at least to date. It is 100 years since the first supplies of refrigerated dairy produce arrived in Britain from New Zealand; 1881 saw the first shipment of cheese, 1882 the first of butter. From that point on, the New Zealand dairy industry was developed mainly to satisfy the needs of the British market.

Ten years ago, New Zealand exported to Britain around 170,000 tonnes of butter annually and 75,000 tonnes of cheese. Since Britain joined the EEC, in 1973, the traditional trade with New Zealand in dairy products has progressively dwindled.

By 1980, New Zealand's sales of butter to the EEC had fallen to 95,000 tonnes. The quota this year is 92,000 tonnes, and in 1983, the proposal, from the EEC Commission, is for 89,000 tonnes, in return for a small reduction in import levy. In Wellington, in mid-July, the cut was seen as psychological victory for the countries most strongly opposed to New Zealand's continued access to the EEC, including Denmark and Ireland.

According to the Dominion of Wellington; "Our negotiating position is not strong. The Europeans must be taught, with our help, the folly of their Common Agricultural Policy, with its vested interest in uneconomic production."

Apart from Western Europe and Australia, New Zealand's other big trading partners are the U.S. and Japan, in both of which, as in Europe, it has to contend with strong producer interests, as well as the irritating need to press its case constantly.

## Stiff barriers

Japan, which in recent times has become an important customer for a range of relatively new products (aluminium ingots—manufactured in New Zealand from Australian alumina, iron, sand, logs, rough sawn timber, kiwi fruit, and some fish products), nevertheless maintains stiff trade barriers against most staple food products, despite its large population. However, it takes some dairy products, and some manufactured goods.

According to a trade official in Wellington: "We have pointed out to the Japanese that it is largely self-illusory to try for self-sufficiency in meat when you're having to import large quantities of feed grain."

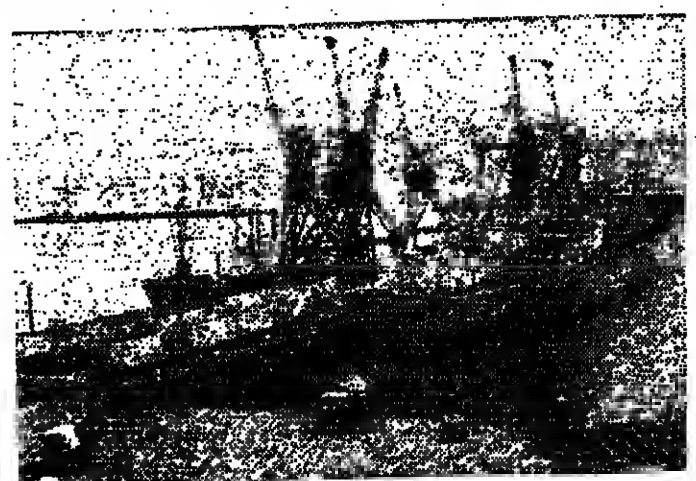
In turn, the U.S. is a source of periodic concern on the issue of beef, though New Zealand finds the U.S. genuinely attentive to New Zealand's concerns, and believes the Reagan Administration to be genuinely interested in freer world trade, even though times are hard, and protectionist calls are resurfacing.

In particular, New Zealand has met with greater success in the U.S. than in Japan in terms of manufactured products, including sports equipment, ceramics, woollens, carpets and tableware.

For New Zealand, efforts to diversify its markets have produced gains on a relatively broad front and some important successes, from the Middle East and the Soviet Union, to South-East Asia (notably Singapore, Indonesia and Malaysia), China, which is of obvious and growing interest, Latin America and the South Pacific.

What New Zealand's producers need most is some sign of uplift in commodity prices and world trade. Until they get it, indeed even after they have got it, they will have to continue to pedal hard.

**M. T-N.**



Loading refrigerated products at Lyttelton harbour, Christchurch.

To stimulate competition there has been some loosening of import licences, says **Stewart Dalby**

# Manufacturing ready for changes

IN THE POPULAR imagination New Zealand is usually considered to be one large farm, making its living from exports of lamb, wool and dairy products. In fact, its manufacturing sector, defined in the broadest sense to include some resource-derived products, accounted for 27.3 per cent of gross domestic product (GDP) in 1980-81. Some 25 per cent of the workforce of nearly 1.3m people is engaged in manufacturing. This compares with 11 per cent in agriculture.

Last year more than 31 per cent of total merchandise exports came from the manufacturing sector, compared with 16 per cent in 1970 and 6.4 per cent in 1960.

It is as well, however, to think of New Zealand's manufacturing industry in the widest possible sense. For example, of the 31 per cent of exports which came from the non-pastoral sector last year, nearly 10 per cent came from forestry products, notably pulp and paper.

Moreover, caution is needed in interpreting the make-up of the 16 per cent of exports which would normally classify as manufacturing products.

Of this 16 per cent of total exports, roughly 50 per cent is accounted for by 10 of the largest manufacturers. The most substantial growth in the decade until 1980 was from exports of non-ferrous metals. This mainly meant exports of aluminium ingots to Japan using alumina imported from Australia. Exports of non-ferrous metals increased from 4 per cent of total manufactured exports in 1970 to 21 per cent in 1980.

All this said, however, New Zealand has developed a small but growing manufacturing exports sector which is different to the industrial scene in the country until the early 1970s.

The pattern until then was almost complete protection for consumer products. Most items were manufactured in New Zealand behind high barriers. As Mr Harry Clarke, the Secretary of the Department of Trade and Industry, puts it: "We make everything here. Well not quite everything. We don't make submarines, or large aircraft or nuclear reactors, but most consumer goods."

Everything from cars to blouses and washing machines have been made or assembled in New Zealand.

There was a great incentive for manufacturing concerns to be set up. Without cheap foreign competiton to worry about manufacturers could charge high prices, and often be inefficient. Manufacturers worked on what is known in Wellington as a cost plus basis.

The attractions of a protected market extended to foreign concerns. New Zealand allows total freedom in remitting profits. Joint ventures are preferred, but are not obligatory.

Despite the smallness of the market, a population of just over 3m, Ford, and Toyota among other large international concerns find it profitable to assemble cars in New Zealand because they cannot get the finished product in through the protective barriers.

New Zealand today is still heavily protected. The Reserve Bank estimates that there is a 28 per cent level of protection. This refers to all imports. If imported energy, particularly oil is stripped out of the equation along with other raw materials for which there are no local substitutes, then the level probably rises to 50 per cent.

Mr Brian Easton, the director of the Institute of Economic Research, reckons protection is easily about 40 per cent taken across the board and probably higher. Many consumer goods are still wholly protected by the quantitative controls of import licences.

## Pressure builds up

In 1981 consumer items accounted for just over 12 per cent of total imports. There has, however, been some loosening up in recent years. This is partly because of pressure on New Zealand, most notably from the U.S., against protectionism. It is mainly, however, because the country wants to try to develop industrial exports as part of its efforts to broaden its economic base.

Over the past 10 years a number of measures have been introduced to help stimulate exports. There are tax deductions for export promotion. Then in the 1980 Budget the Government gave further tax incentives for export market development and export performance as measured by the domestic content of exports.

There has also been the system of the crawling peg devaluation. This has generally helped exporters when domestic inflation has been higher than in main markets, although the system has recently gone into abeyance.

To stimulate competiton there has been some loosening of import licensing. In the protective mechanism. In the apparel sector, for example, licensing meant 98.5 per cent protection but this has now been eased to 90 per cent.

With the incentives and other stimuli some pockets of manufacturing have shown good growth. Electrical machinery and appliances particularly whitewear, that is to say refrigerators and the like, have come from virtually nothing in 1970 to account for 7 per cent of manufacturing exports. Leather and furs as well as furniture and fittings have also increased strongly.

The critical question is whether New Zealand's manufacturers if exposed to foreign competition—many feel the liberalisation process should be speeded up—would go to the wall or be able to sell in foreign markets.

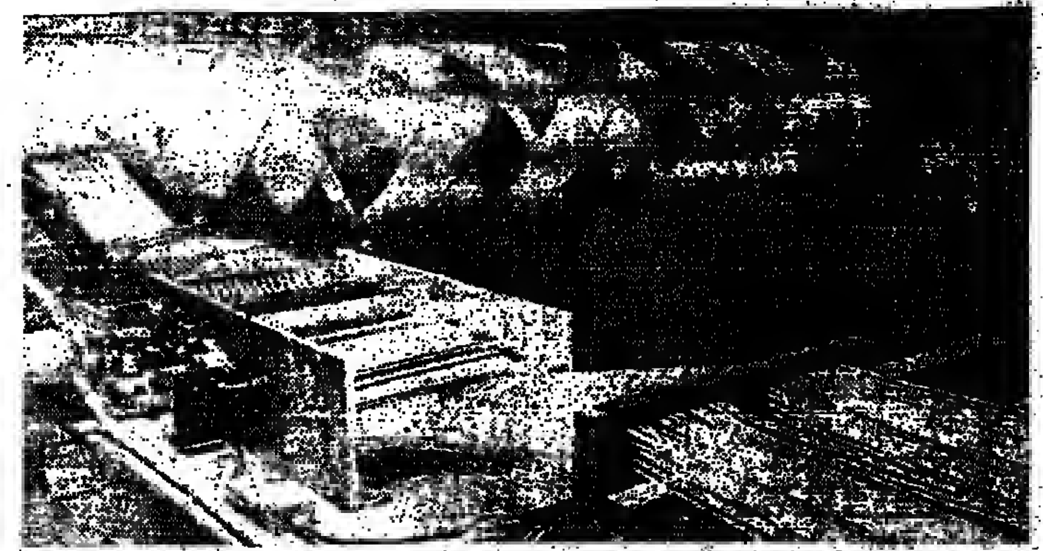
Mr Ian Douglas, the chairman of the manufacturers federation feels that New Zealand can compete in certain products. He says: "Look, we are not about to become another Singapore, or Taiwan. We cannot get the economies of scale and the markets are too far away, but in certain products we can compete. Our whitewear sells very well in the U.S."

Mr Harry Clarke agrees with Mr Douglas. "What will undoubtedly happen is there will be a shakeout. Instead of having 20 appliance concerns we will get down to two. In carpets we will probably come down from 14 concerns to perhaps only one," he says.

A big test will come when the CER (Closer Economic Relations) with Australia gets under way next year. The feeling is that with wage rates only two-thirds what they are in Australia, and fewer strikes, New Zealand will be able to hold its own in a greater free trade environment.

Providing its manufacturing industry can stay competitive it could, when allied to growth in the resources sector, i.e. food processing and forestry, make a much greater contribution to the country's exports.

It seems unlikely however, that manufacturing will ever take over from primary, pastoral products as the mainstay of the New Zealand economy.



New Zealand's first computerised fibreglass pipe-making machine in Auckland. Companies in Canada, Japan and the UK have shown keen interest.

**MANUFACTURING: COMPARISON OF EXPORTS AND OUTPUT**
(1976-77/1983-84)

| | Base year 1976-77 | | Constant prices 1976-77 Manufacturers' forecast exports growth | | Manufacturers' forecast output growth | |
|---|---|---|---|---|---|---|
| | Exports | Output | 1983-84 | 1977-84 | 1983-84 | 1977-84 |
| Group | $m | $m | $m | % | $m | % |
| Food, beverages and tobacco | 94.3 | 1,129 | 185.4 | 10.4 | 1,324 | 2.2 |
| Textiles and carpets | 59.3 | 453 | 120.4 | 10.6 | 592 | 3.9 |
| Apparel | 26.9 | 277 | 45.4 | 7.8 | 345 | 3.2 |
| Footwear | 2.2 | 78 | 5.0 | 12.4 | 89 | 2.0 |
| Tanning and leather | 24.3 | 78 | 96.2 | 22.1 | 170 | 11.8 |
| Sawmilling and wood processing | 32.2 | 457 | 58.7 | 8.9 | 540 | 2.4 |
| Furniture | 8.1 | 135 | 31.7 | 21.5 | 199 | 5.7 |
| Pulp and paper | 152.3 | 611 | 186.9 | 3.0 | 718 | 2.3 |
| Printing and publishing | 5.6 | 322 | 9.0 | 7.0 | 281 | 2.4 |
| Petroleum refining | 37.3 | 476 | 139.0 | 20.7 | 726 | 6.2 |
| Chemicals and products | 14.7 | 396 | 76.8 | 25.6 | 533 | 4.3 |
| Paints and pharmaceuticals | 9.2 | 224 | 27.7 | 14.0 | 287 | 3.6 |
| Plastics and rubber | 11.7 | 304 | 50.2 | 23.1 | 397 | 3.9 |
| Ceramics and glass | 7.7 | 88 | 25.1 | 18.4 | 115 | 4.0 |
| Non-metallic products | 2.6 | 262 | 4.3 | 7.5 | 286 | 1.2 |
| Base metals | 131.2 | 389 | 283.2 | 6.4 | 542 | 4.9 |
| Fabricated metals | 8.5 | 726 | 46.6 | 27.5 | 828 | 1.9 |
| Machinery and appliances | 91.6 | 846 | 210.5 | 12.6 | 1,170 | 4.7 |
| Ships, motor vehicles and aircraft | 14.4 | 561 | 34.7 | 13.4 | 692 | 3.0 |
| Other manufacturing | 12.5 | 97 | 40.1 | 18.1 | 138 | 5.2 |
| Total manufacturing | 746.7 | 7,907 | 1,682.6 | 11.5 | 10,071 | 3.5 |

The 'think big' programme is running into more criticism

# Energy projects start to slow

CAUGHT IN the vice of dwindling prices for its major pastoral exports on the one hand, and soaring costs for its imported oil on the other, New Zealand has looked for a way out of the confining balance of payments problem and economic stagnation which has resulted.

The answer has largely rested with its so-called "think big" policy. Although the programme has never actually been labelled "think big," New Zealand has developed a number of energy and resource based projects as a means of spurting to economic growth by the 1990s.

Originally the programme involved some 24 schemes based on gas from the Maui gas field off the Taranaki coast, and the abundance of coal and hydro-electric power in the islands.

They did include a synthetic petrol plant, a new aluminium smelter based on a hydroelectric scheme which would bave cost some NZ$795m (£337m), an extension to an existing smelter, an oil refinery expansion, a steel plant expansion, a methanol plant and a rail electrification scheme.

In the medium term, oil companies were looking at projects with a view to a liquid extraction plant to make down-stream petrochemicals from Maui gas.

There was talk of building a aecond platform for the Maui field, and in the longer term, by the late 1990s there was the prospect of gasification and liquefaction of extensive lignite deposits found in the sonth island. There were also a nnmber of forestry projects mooted.

## The strategy

The rationale behind the strategy was that New Zealand could ease considerably its balance of payments constraint to growth by cutting the high import bill on the one side by reducing its imported oil needs, and boosting its exports by selling urea and aluminium and other forestry projects abroad, on the other.

The key saving would come from import substitution of oil. At the moment New Zealand is only 10 per cent self-sufficient in transport fuels. This is to say that in 1980-81 New Zealand produced 375m tonnea of transport fuels and imported 3.9bn tonnes. By 1986 the hope is the country will be 50 per cent self-sufficient in transport fuels. Imported transport fuels represent about 40 per cent of total energy needs at present. If the 50 per cent self-sufficiency target is reached, it would mean a very significant balance of payments saving.

Imported oil costs New Zealand some NZ$1.5bn a year, compared with only NZ$80m just over 10 years ago. The current account balance of payments deficit is around NZ$1.2bn. Theoretically more than a third of the oil bill will be shaved away.

The synthetic oil plant and programme to convert motor vehicles to run on natural gas (CNG compressed natural gas) are on course. There is talk of complete energy self-sufficiency by the year 2000.

Question marks hang over the export side of the equation however, although the value of exports waa never scheduled to be that great.

The spare capacity for export from the urea plant for example would fetch in some NZ$35m, it was thought. However, some forestry projects have been postponed and it must be doubtful whether the new aluminium smelter will be built. In the words of a letter written to the Financial Times, by Mr W. F. Birch, the Minister of Energy: Major development projects related to the exploitation of natural gas are well advanced as is the expansion of New Zealand's oil refinery. The recent *slackening in world demand* for energy intensive products has not qualified New Zealand's intention to complete these projects. The trend, however, interrupted a planned second aluminium smelter and postponed some forestry projects. A world-first synthetic petrol plant and an innovation programme to convert motor vehicles to run on natural gas will result in the country being 50 per cent self-sufficient in transport fuels by 1986."

The aluminium smelter, which was a joint project involving the local Fletcher Challenga group, Gove Alumina of Australia and Alusuisse, collapsed because the Swiss group was not prepared to accept the Government's pricing of electricity. The Government, in turn, was not prepared to subsidise tha real cost of the provision of power. The Pechiney Group entered talks and there, for tha moment, the matter rests.

The Government has insisted that because some projects are falling by the wayside, or appeared to be falling by the wayside, it does not mean that the entire "think big" strategy has failed. Given the large number of projects that were initially planned it was inevitable, the Government argumant runs, that some projects would be reconsidered and others would enter the pictura.

Whether or not the aluminium smelter does eventually get built, however, its postponement has inevitably sharpened some of the criticisms of and fears about the entire strategy.

The Labour opposition feels the "think big" programme has been overstressed. Mr Bill Rowling, the Leader of the Opposition, feels that with investment concentrated in these larga capital intensive projects (the 11 projects on course are scheduled to cost £6bn) opportunities to develop other labour intensive industries or encourage what Mr Rowling calls the country's human skills and resources are being missed.

Ironically, although projects may not produce many jobs in themselves, in the long run, during their construction they are causing bottlenecks in certain areas of skilled labour, and this is having the effect of driving up wages. Another criticism is that the Government is handing the resource wealth of the country over to the multinationals.

Mr Muldoon, the Prime Minister, appears to remain undaunted by all the criticism. He has argued that investment in the "think big" projects amounts to only a fraction of what total fixed investment will be over the next 10 years. His view is that when the projects come to fruition the wealth they will generate, if only in terms of easing the balance of payments restraint, will boost the economy and create jobs.

It is probably not the best time to make definitive judgments on the "think big" programe. There is currently a world oil glut, and self-sufficiency in energy is not such an imperativa goal as it could become.

Moreover, hardly any of the schemes have come fully on stream so it is too early to know what the overall impact will be. However, even if the balance of payments savings do not turn out to be as great as expected, New Zealand will at least have tried to capitalise on a natural resource which has not really worked for it so far, and it has made a bold attempt to diversify away from the pastoral products which no longer by themselves create the wealth the country became used to.

**S. D.**

**ENERGY RESOURCES**
(Petajoules)

| Non-renewable | Proven/ measured | Probable/ indicated | Possible/ inferred | Total resource |
|---|---|---|---|---|
| Coal | 4,840 | 35,000 | 14,000 | 53,840 |
| Oil | 136 | 413 | | 549 |
| Gas | 975 | 4,960 | | 5,935 |
| Total | 5,951 | 40,373 | | 60,324 |
| Renewable (annual supply): | | | | |
| Hydro | 86 | 123 | | 209 |
| Geothermal | 12 | 13 | 15 | 40 |
| Total | 98 | 136 | 15 | 249 |

This year will bring big changes in the most important sector of New Zealand's economy, as Dai Hayward reports

# Meat industry faces mounting pressures

The country produced 425,000 tonnes of lamb last year—around a third was exported to Britain; another third to Iran and the Middle East; and a third to Japan, North America and continental Europe.

IT IS EXACTLY 100 years since the development of refrigeration made it possible to ship frozen lamb economically 12,000 miles from New Zealand to Britain. This set the foundation of the New Zealand meat industry. Since then the meat industry has become the most important sector of the New Zealand economy, earning 25 cents in every dollar received from exports. Last year meat sales were worth NZ$1.7bn.

Ironically, the centennial year celebrations with their mutual congratulatory back slapping between producers and export processers diverted attention from some of the major problems facing the industry in 1982.

This year there will undoubtedly be greater changes with more ill feeling in the industry than in any other single year since 1882—with the possible exception of 1922 when the meat producers board was set up and given some control over meat exports.

More control over the industry and over the private meat companies will be imposed sometime soon. This seems inevitable as sales of meat fall and the industry has problems finding markets for all its increased production.

This, too, is ironic because in a world where a large percentage of the population is starving—or at least short of food—New Zealand's abundance of meat would seem to be the answer to much of the country's economic ills. Unfortunately it is not as simple as that.

Much of the world's underfed people simply cannot afford to buy a leg of NZ lamb and in those areas where a more affluent population enjoys a meat meal, there are political barriers, tariffs and levies which create difficulties for meat exporters.

A conflict between the Meat Board—which represents the farmers who naturally want bigger and better prices for their meat, and the meat exporting companies who are faced with ever increasing costs and barriers in the market place, has been building up for the past few years. This year it is reaching direct confrontation and the Meat Board is moving to take more control of the industry with more direction to exporting companies.

The giant meat processing companies — many overseas owned—buy lamb at the farm gate. Every farmer in New Zealand receives the same price for the same grade of lamb. This price, set weekly, is based on the meat exporters' estimate of what that meat will fetch when it reaches market in several weeks' time.

If prices look like falling in, say, two months the meat companies reduce the price they pay for lamb bought this week. Farmers, and the meat board frequently accuse exporters of being too pessimistic and twice in the past few years the meat board has stepped in itself to buy the remaining lamb or mutton production, then sold it —using the exporters as brokers—at a higher price than the exporters originally estimated.

This centennial year there has been extra pressure on the processing companies because lamb earmarked for Iran did not leave the cold stores on schedule. In less than five years Iran has become a major market for NZ lamb, taking more than 80,000 tonnes. This more than comfortably took all the surplus production plus a quantity switched from other falling markets.

## Payment problems

Last year there were problems of late payment and this year considerable delay before a lamb for oil deal was signed. However, even then meat shipments did not leave NZ because a letter of credit covering the oil deal had not been lodged with the European bank from which the meat board was to draw its payments for lamb.

The delay meant exporters had large stocks on hand and there was pressure on cold store space. Some weaker or more nervous companies dropped their price just to sell and get a cash inflow. On March 29 the meat board intervened and bought up all the lamb still available for export. It paid 118 cents a kilo for it. If exporters wanted it they had to buy it back. Some claimed the price was too high and some sales were made at below this level.

The board's action did not solve all the problems and it is still involved with marketing. It is certain to get more involved.

The board is angry with exporters who undercut the price level agreed to earlier by all exporters and the board. These companies argue they are private enterprise firms and if they have to drop their prices to make a sale—then so be it.

The meat board claims these companies are prepared to sell at any price—providing they make a profit and this hits the New Zealand farmer and economy.

During the coming year there is certain to be a move towards more joint marketing and more direction and involvement by the meat board in marketing. It will be taking more control over where lamb is to be sold. It has the power to do this.

It may also push some exporters who are reluctant to co-operate out of some markets — including the UK — completely. It will undoubtedly back consortiums of three or four companies prepared to work together to get bigger sales at improved prices.

The other big problem facing the NZ meat industry in its centennial year is the EEC cheap beef exports. The EEC is depressing world markets for lamb and beef by selling subsidised beef at dumping prices claims the board. In some places EEC beef has undersold live NZ mutton.

The NZ meat board believes the EEC is also being foolish because it is throwing money away. It believes that with a little more planning the EEC could get better prices for its subsidised beef, thereby reducing its own losses and at the same time reducing the depressing effect on all other meat prices.

Inflation at home, increased farm costs for meat producers, increased shipping costs and costly levies or tariffs in practically every market, have not prevented the NZ meat industry puting meat on markets 12,000 miles from home at an economical price. How long it can do this against dumping of subsidised EEC production is a major question.

After 100 years the NZ meat industry is to undergo changes and some of the changes will not be popular with some parts of the industry.

# Fishing industry expands

THIS INDUSTRY in New Zealand has changed considerably in 10 years to the extent that it now accounts for exports worth NZ$192m (£85m) or nearly 3 per cent of total exports. This still sounds small but it compares with a figure of NZ$25m 10 years ago and only around NZ$6m in 1965-66.

The impetus for the expansion of the fishing industry came with the announcement of the 200-mile exclusive economic zone in 1978. This gave the New Zealand fishing industry an area of about 4.5m square kilometres or about 15 times New Zealand's land area.

Until the declaration of the zone which was in line with the law of sea ruling on offshore waters and common among many countries, New Zealand had a small inshore fishing industry with possibly around 4,000 to 5,000 vessels fishing predominantly within a 12-mile exclusive area.

The area which became New Zealand's was being fished, mostly by Japanese, Russian and South Korean craft. The catches were usually not landed in New Zealand. The first Japanese long-liners began catching snapper in 1957. The New Zealand fishing industry itself was probably catching about 80,000 tonnes of species found inshore, notably rock lobsters, and snapper as well as some mackerel and tuna.

When the new economic zone came into effect, the total allowable catch each year was set at 500,000 tonnes. New Zealand fishermen by themselves could not have filled this quota even if they had wanted to. The infrastructure and the ships for deep-sea fishing did not exist.

The method the Government encouraged was joint ventures. The rationale was that the New Zealand industry could expand at a faster rate than would have been possible with domestic capital particularly in the larger unknown deeper waters.

One of the effects of the Japanese and Russian ships having fished in what became New Zealand's waters is that the nature of the fish resources became known.

## Species

The most well-known fish has become the orange roughy, or deep sea perch as it has been called. It has sold well in Australia, the U.S. and in Europe. Similarly Hoki and Warehou have aroused interest in overseas markets.

In March 1980 the joint venture fleet stood at 26 trawlers, 80 squid jiggers, nine purse seiners, two bottom long liners and two tuna long liners, a total of 119 vessels. For 1980-81 a total of 154 vessels were approved, according to the Reserve Bank's annual review.

All told the catch for joint venture and domestic inshore vessels was around 230,000 tonnes last year, some 110,000 tonnes to 121,000 tonnes of which was exported. Foreign vessels, most notably Russian, Japanese and South Korean vessels still fish New Zealand waters. They do so under licence, and are given quotas out of what remains of the TAC. These quotas have not always been fully taken up in the past couple of years. The outlook for the immediate future is one of consolidation with catches and export earnings probably going on to a plateau.

The joint venture system has not been an entirely happy one. There is a feeling that it has made the processing sector vulnerable to the removal of foreign-owned catching capacity. There is a belief that in some cases joint ventures mean there is undue competition resources or market. Finally, it has been difficult to train crews for a variety of reasons—cultural, lingual and economic and it is felt the joint venture could become a permanent feature of the industry.

One problem is that while a lot of different species are being caught, a vast resource of one or two species has yet to be discovered and this makes for some difficulty marketing abroad.

Longer-term, however, the New Zealand industry can realistically hope to expand, since most surveys indicate demand will easily outstrip known sources of supply.

**Stewart Dalby**

EEC calls for more cutbacks on butter imports from New Zealand

# Dairy industry dismayed

Renewed agitation from the EEC for yet another cutback of 3,000 tonnes in New Zealand's butter exports to 89,000 tonnes has dismayed the dairy industry.

For the Community 3,000 tonnes is a relatively small amount but when forced onto a limited and restricted world market the extra tonnes could cause great problems and upset the delicate stability of the international dairy market.

The New Zealand dairymen are particularly disappointed because the attack on NZ's butter quota comes after three years of improved collaboration between the EEC and butter-exporting countries, particularly NZ. The improved collaboration removed some of the more serious problems caused by dumping of EEC surplus production.

It also allowed for much greater price stability. Everybody — including the EEC exporters — benefited from this, says New Zealand.

The man in the street who is well-informed on past EEC trends and its dairy subsidy policies which have encouraged over-production, sometimes wonders if the European dairy industry and the EEC officials take notice of certain vital statistics.

Although huge volumes of milk and dairy products are produced the actual market for international dairy trade is relatively small. It is only 5 per cent of production for the equivalent of 24m tonnes of milk. This means most countries are self-supporting and there is just no room for NZ to find or develop any new large-scale market for its dairy exports.

The milk supply of both Europe and the U.S. is 16 times the size of NZ. American production grew rapidly under President Carter's policies which encouraged expansion. In the past decade the EEC share of world milk production has increased from 25 or 30 per cent to 65 per cent.

New Zealand has cut back the number of its dairy farms and national herd and, although there will be actually 20 more dairy farmers this year than last, it has reached a stage where any further decline could put a strain on an extremely efficient industry.

An average NZ dairy farmer working alone handles a milking herd of about 180 cows. If his wife or member of the family can provide more than casual assistance his herd size will go over 200.

His cows graze outdoors all year round and his milking shed is a model of efficiency designed to speed up throughput and machine milking.

Average production this year will be 145 kilos per cow. Despite the long freight journey NZ dairy products can be landed on markets 10,000 or 12,000 miles away at well below the cost of products produced much nearer.

## Adaptability

Mr Ken Mehrtens, the retired chairman of the dairy board, says one important reason for the success of the dairy industry is that it has adapted successfully to a co-operative structure to free the farmer from the dominance of the middle man while at the same time remaining flexible with incentives to improve efficiency.

Constantly improved efficiency has enabled the industry to survive despite high tariffs, levies or duties, such as the 35 per cent duty Japan imposes on NZ cheese.

The dairy industry is vital to NZ's economy. In the May 1982 year sales topped NZ 1.3bn. This was despite the fact that practically the only area where no physical or legal restriction is placed in entry of NZ dairy products is the Middle East, even here problems were created by the war between Iran and Iraq.

The downturn in the world economy also affected NZ dairy exports. It was particularly noticable in South America where NZ has been recording steady increasing sales for some years. New Zealand's willingness to co-operate with other producer countries to maintain stability in the market is highlighted by the closer economic relationship agreement with Australia.

A major stumbling block in preparing the agreement was the worry of Australian dairy farmers that they would be swamped and under-sold by the more efficient NZ industry. New Zealand, however, gave an assurance that it would not flood the Australian market with dairy products and that there would be no undercutting of the market. Its dairymen did, however, insist on being allowed to compete for a share of any expansion in the market.

The NZ dairy board also points to the role it played in preventing a possible collapse of world dairy prices when it bought 100,000 tonnes of U.S. surplus butter which otherwise would have been dumped onto a limited world market.

Because a sale to the Soviet Union was politically unacceptable to the U.S. Administration at that time, the total accessible world market was only 200,000 tonnes. By buying the butter and reselling it on a controlled basis NZ prevented disruption, and a collapse of prices while at the same time achieving improved sale prices for both its own and EEC exports.

A large quantity of the surplus U.S. butter still has to be converted into butter oil and sold. Total production of NZ butter in 1981-82 was 250,000 tonnes.

After Britain, the Soviet Union has become NZ's largest market for butter, taking 52,000 tonnes, but further expansion of this market could be difficult.

**D.H.**

# NEW ZEALAND VI

The industry is hoping for an upturn in world demand this season. **Dai Hayward** explains why

# Stockpiles mount for wool

LAST SEASON was not a good year for the New Zealand wool industry, and the new season — which started on July 1—will certainly produce a great many problems.

It will also produce more wool. Last year's production was down because of a severe drought in Canterbury—which lasted until the snows came—and dry weather in parts of the north island.

This season New Zealand has more sheep—just over 71m—and production will be back above 380,000 tonnes. When the new selling season starts in August the Wool Board will already have a stockpile of 422,000 bales, or 60,000 tonnes, of unsold wool carried over from last season.

With the new season's production there will be more than 440,000 tonnes of wool available for the world market. This is one of the biggest amounts of wool ever available for disposal but, despite a weakening of prices at late sales last season, buyers cannot expect a slump in price.

The Wool Board will not allow this. It will almost certainly hold its intervention floor price to buyers at about the same price as last year. This is the price at which the board intervenes to stop wool prices falling below the level it believes should be the minimum price. There will be considerable interest in the early sales as buyers try to estimate the price levels at which the board will move.

Wool Board and farmer representatives argue there is no need to drop the floor price because in time all the wool purchased by the board will be sold at a reasonable price. The prospect of adding to the stockpile by buying up wool to maintain the minimum floor price does not worry the board. It has gone through the same exercise at least twice in the past 14 years and on each occasion ultimately came out making a profit. It has plenty of funds available to trade in the auction sales.

In can also easily finance the minimum payments to growers whose wool is sold at prices below the board's guaranteed price.

Last year farmers were guaranteed 250 cents a kilo —no matter what price their wool fetched at auction. The board will almost certainly set the minimum price to growers at the same level this season. In addition the Government is guaranteeing growers a payment over and above the minimum payment received from the Wool Board.

This season this will be another 70 cents a kilo, so the farmer will get a reasonable price for his wool irrespective of any weakening in the auction ring. This means there will be no pressure on the board or on the Government to change its policies.

The large quantity of wool held in the stockpile on June 30 was reflected in the drop in export earnings from wool last season. In the year ended March wool exports were worth NZ$958m. This was a drop of NZ$40m over the previous year. However, the value of the stockpile when it is eventually sold will be many millions of dollars. The average price at auction last season was 255.75 cents a kilo.

Prices towards the end of the season were dropping and at the last sale on June 30 at Auckland, sales averaged 259 cents. This compared with an opening average of 267 cents and the January Auckland sale of 245 cents a kilo. At the January sale trading was so slow that the board had to step in and buy 56 per cent of all the wool on offer.

Most of the wool held in the stockpile is coarse wool used mainly in carpet making. A large proportion of New Zealand's clip goes into carpet manufacture and the depressed economy in the United States—one of New Zealand's best markets for carpet—and Western Europe, means lower consumer demand. This will have an adverse effect on the demand for New Zealand wool.

One cheerful note for the New Zealand wool industry as a whole this year has been the high demand and good prices for fine wools. One wool grower received over 600 cents a kilo for his merino clip at a recent sale. This was regarded as a spectacular price.

Much of this fine wool comes into the auction ring during the first few months of the season so this should help give a lift to the market. Fine wools are used for clothing and the economic recession has not affected clothing sales as much as carpet sales. Consumers can delay buying a carpet, but businessmen need to keep buying new suits.

Because the Government was offering a subsidy for wool produced many farmers sheared their sheep last season more than they would normally have done, in order to take advantage of this. This meant that much of the wool coming into the auction ring was very short and had very little market appeal. There was a heated controversy between the Government and growers over this short length wool.

At one stage the Government threatened to dump the short-length wool for which there were no buyers. This jolted the farmers into realising that they had to produce better quality and length.

During the current season there will be further moves towards more streamlining of the New Zealand wool auction industry. The number of auctions will be reduced and there will be a move towards more sales by sample and objective measurement.

This reduces the amount of wool which has to be transported to an auction sale as buyers make their decisions from a sample of wool and from scientific measurements which are now available. The objective is to rationalise the wool industry, and although there is some parochialism and opposition from smaller towns which see the loss of the local auction sales as a blow to their local importance, overall the board's policy is intended to contribute to greater efficiency in the selling of New Zealand wool.

Greater efficiency, however, will not, in itself, be enough to sell the hoped for tonnage of New Zealand wool this season and the industry must keep its fingers crossed for an upturn in world demand.

Exports may reach NZ$1bn by the end of the century

# Forestry markets expand

NEW ZEALAND is already gearing up for a timber boom from the year 1990. A rapid expansion of the forestry industry from trees nearing maturity will see production soar from today's 9m cubic metres of timber to 27m by 2005.

Forestry is already a major export industry worth NZ$550m. By the turn of the century forestry exports will be more than NZ$1bn a year.

Vast acreages of trees have been planted since the mid-sixties until there are now 900,000 hectares of man-made forest in New Zealand. Each year this is maintained by new planting covering 45,000 hectares. Most of these trees—about 95 per cent—are the fast maturing radiata pine, a native tree of California where it is a relatively obscure tree. Transported to the more temperate, and possibly more fertile, New Zealand, it grows bigger and quicker to become the basis of the country's forest industry.

The forest industry has kept pace with the expansion of the fast developing radiata pine. In 1964 timber exports earned a modest NZ$500,000. The aim now is for forestry to provide 25 per cent of the country's total exports by the year 2000.

In the 1950s the Government encouraged planting to supply New Zealand's domestic needs. By the 1970s the target and emphasis had shifted to exports and giant paper, newsprint and pulp industries have been established to utilise the expanding forests. There are also large exports of timber—both as logs and sawn timber and as wood panels.

Big markets have been established in Japan, Australia and Asia. Australia and Japan provide 70 per cent of NZ's total forestry receipts through big buying of pulp and paper, logs, sawn timber and wood chips. But salesmen for the industry are finding markets around the globe. The biggest private forestry company, NZ Forest Products exports to more than 50 countries.

Ironically, further expansion of the large industries based on forestry will be curtailed for the next eight years because of a pause in planting during the late Thirties through the war years and into the early 1950s.

Now the industry is utilising every cubic metre of wood it can. Timber is being trucked long distances—sometimes 150 or 200 miles to mills or pulp plants.

The tight supplies for the next seven or eight years will force the industry to become more efficient in the utilisation of wood. Already there is less wastage and a bigger percentage of wood, which was formally discarded, is now going into the pulp mills.

In looking at ways to increase the wood supply during this tight period, government forestry experts have carried out experiments on thinning. They have found a more efficient and economical harvesting method, which encourages remaining trees to grow bigger and thicker in a faster time than was possible with previous harvesting patterns.

Another way of increasing export is for New Zealand to carry out more domestic processing of wood. This could include the manufacture of furniture and housing components and modules. Modular houses shipped in prefabricated form could become an important export to Australia and other Pacific countries.

The government forest service, which carries out large scale plantings, is concerned with modern forestry management methods. Its experts are devoting much time and effort to forest management to ensure New Zealand's forests are harvested as a renewable resource and they are also devoting a great deal of effort in improving the size and quality of the timber produced.

The state plays a major role in the New Zealand forest industry—owning 55 per cent of the total forest resource. Apart, however, from two large sawmills, it is not heavily involved in commercial production, selling its trees to the major production companies.

## Newsprint and pulp

NZ Forest Products produces pulp paper, cardboard, plywood, logs and sawn timber. Tasman Pulp and Paper—which is now part of NZ's largest industrial combine—Fletcher Challenge—concentrates on newsprint and pulp. Both are giants on the NZ industrial and commercial scene.

In the year to March forest products had sales of NZ$688m and a profit of NZ$60.5m.

Tasman last year returned a profit of NZ$51.7m. Newsprint production was 327,840 tonnes. Pulp production was 152,730 tonnes.

Both companies have big plans for expansion to utilise the increased production coming from the forests in 1990. This will require millions of dollars investment in new plant, machinery and processors, and much of this will have to come from overseas investment. There are already two joint ownership projects with overseas countries—one Korean and one Japanese—but the Korean venture has encountered several problems.

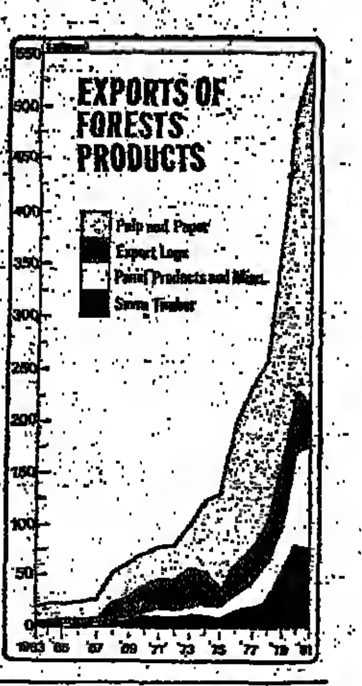
The Korean partners were to take 70 per cent of the pulp produced from its joint venture mill, but has never been able to take more than 30 per cent.

Both government and private sectors of the forest industry have reviewed world trends and estimated world demand, and supply for all types of forest products over the next two decades. They are confident there will be a large and ready market for the expanding production and growth of forestry from 1990 onward. The industry is also geared to meet variations in demand.

The vital importance of export markets to the NZ forestry industry is emphasised by just one statistic, in two and a half days production NZ Forest Products' paper mills can produce NZ's total requirements for a year.

**D. H.**

Sixty per cent of the country's forestry production is used for paper and pulp exports



Natural attractions and dramatic scenery are the basis of New Zealand's tourist appeal. Above: view looking over Lake Hayes

# Good potentia for tourism

THERE ARE no snakes in Naw Zealand—not even in its zoos—and strict controls prohibit entry of any snake into the country. This is to guard against the remote possibility of a snake escaping into New Zealand's bush or open country where it could possibly breed and become established.

Earlier this month, however, Mr Talbot, the Minister of Tourism, persuaded his Cabinet colleagues to pass solemnly special legislation allowing one boa constrictor to be brought into the country for a film on the Garden of Eden, starring sex siren Bo Derek as Eve.

The reason for this temporary top level immunity of one solitary de-sexed snake is tourism, and it reflects New Zealand's efforts to promote and expand the industry. Publicity from the film, which will incorporate shots of some of the country's spectacularly beautiful scenery, will be worth millions of dollars in tourism promotion, says Mr Talbot.

Tourism was worth NZ$301m for the year ended April this year. This was a 23 per cent jump in value over last year despite the sharp slowdown in tourism which has affected New Zealand's growth projection.

Although the number of visitors from Australia, New Zealand's major single source of tourists, dropped last year, Australians still totalled 44 per cent of all tourists. The fall-off from Australia was countered by increases in the number of visitors from other countries, particularly Japan, the UK and Western Europe. During the past two decades the tourist industry became the fastest growing in New Zealand.

Just over a decade ago in 1971 it earned only NZ$21m, which at that time was regarded as a significant achievement. The NZ$300m earned in the last 12 months is now greater than the total value of New Zealand's cheese exports.

Peaceful moment for the businessman in the "great outdoors"—fishing at Lake Wanaka.

The growth in tourism has been helped by a growing realisation by New Zealand and New Zealanders of the benefits that can be gained from tourism without disruption of their way of life. Encouragement by the Government through tax incentives, depreciation allowances, tax free grants towards construction costs of hotels and other incentives for promotion and development have helped the industry develop a wide range of attractions.

These have added to the natural attractions and dramatic scenery which have long been the basis of New Zealand's tourist appeal. The variety and range of tourist attractions is impressive. Many reflect the character of the individual New Zealander and the liking for the outdoor, open air life which the country provides.

Reconstructed colonial and gold mining villages, working gold mines, gentle canoeing or white water river rafting, jet boats—a New Zealand invention, provide thrills and access to remote waterways—helicopter rides to high level glaciers, and many other pursuits along with the expansion of ski fields, hunting and fishing facilities for tourists are now all easily available. There is even talk of a casino being opened. New Zealand at the moment has one other big attraction for overseas tourists—its *cheapness*.

The shrinking value of the NZ dollar, which until this month has fallen steadily, makes New Zealand an extremely cheap holiday destination for Americans, Australians, Japanese or even Europeans. The official tourist promotional efforts have largely overlooked this particular appeal for foreigners.

Investment in new hotels is *high. At the present time in* Wellington alone three new high-class hotels are being constructed. Other similar developments are taking place in other large cities and in *the main tourist areas.*

The potential for tourism in New Zealand has recently been recognised by Hong Kong and Asian financiers and developers. Several big international companies are now involved in hotel development. They include the Carrian group of Hong Kong, which through Carrian Williams, a local subsidiary, is already building two new hotels in Wellington.

Three years ago New Zealand had 13,800 hotel rooms, with 10,000 of them rated first-class. By next year there will be 16,000 rooms and another 5,000 by 1988. Motels have mushroomed to cater for the individual traveller.

New air services between New Zealand and Japan have given a boost to tourist promotion there. Last year the number of Japanese tourists rose by 20 per cent. The New Auckland-London Air New Zealand through service is also expected to bring more visitors from the UK.

Many tourists from North America and Europe are now looking at South Pacific holidays, visiting several destinations such as Fiji, Australia, and New Zealand in the one package.

## Wide appeal

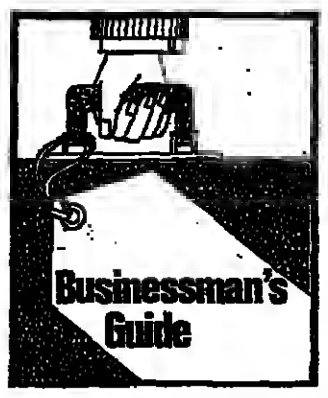
New Zealand is fortunate that it has an abundance of the characteristics which appeal to these people, such as clean air, minimum pollution, open roads, a lack of traffic congestion and plenty of opportunities to enjoy the out-doors—even for the sedentary and least athletic of tourist.

About ten per cent of New Zealand's total land area is now incorporated into national parks and reserves. These include some of the most spectacular scenery in the world. Over the past few years there has been a growing *realisation* that national parks should provide access of enjoyment for a wide cross-section, not only for trampers or mountaineers. With jet-boats and helicopters, New Zealand is managing to retain the rugged wilderness aspects of its parks by allowing their grandeur and beauty to be enjoyed by tourists both from abroad and at home.

**Dai Hayward**

Flower sellers in the Cathedral Square at Christchurch on the east coast of South Island.

# Opportunities to combine business with pleasure





THE BUSINESSMAN visiting New Zealand should avoid the the early December tn late Jannary period as be will find It hard to accomplish much during the country's long Christmas vacation shut down.

Similarly he should pack a pair of *swimming shorts* even if coming in mid winter, June-July, because if his itinerary puts him into Wellingtou or Auckland for a weekend he can quickly and easily get to Rotorua for a relaxing two days in thermal hot pools. This break, with tha chance to see boiling mud pools and thermal steam geysers—or, without too much difficulty, catch a three-pound trout—will equip him mentally to continue business or government negotiations. By the nature of things in New Zealand these could be protracted.

Alternatively if is easy, with Air NZ's internal air services to wnrk in a visit to the magnificent mountains of tha sonthern Alps in the Sonth Island.

*Accommodation:* In Wellington the James Cook hotel is right in the beart of the city and no more than ten minutes comfortable walk from most commercial firms and government offices. The newly-opened more luxurious Park Royal is slightly further from the city but offers those who enjoy walkiug a chance to stroll around Wallington'a splendid waterfront. Later this year the Terrace Regent will be npened —also in the beart of the city.

In Auckland tha Travelodge, Intercontinental and Town House are clustered in the city centre. For a slightly more informal atmosphere with a popular swimming pool—complete with pool har and restaurant the White Heron is popular. Tha airport Travelodge is extremely comfortable but is a long way from town for those needing to go into central Auckland. In March uext year Anckland will bave the Auckland Sheraton, designed to appeal to the business traveller.

*Tipping is frowned* nu in New Zealand although sometimes in lounge hars it is difficult to catch the eye of the waiter for a second round if nothing was left ou the tray. In general, however, most of those employed in service industries such as hotels, taxis aud restaurants do not expect or receive tips.

Nightlife for the visiting husinessmen in Wellington is generally confined to hotel restaurants or good quality restaurants scattered around the city.

Local nightclubs would overseas be more classed as discotheques. Auckland has some more sophisticated entertainment. Both cities, however, have a local live theatre.

New Zealanders are big meat eaters and this is reflected in hotel or restaurant meals where steaks form a substantial part of the menu. All main cities in *NZ have a wide raoge of good* quality restaurants inclnding French, Italian or Chinese.

Rugby enthusiasts should try to visit in wiuter to see some Saturday afternoon rugby. Golf courses are everywhere and the visitor who asks will bave no troohle getting a round. For the real enthusiast a weekend at Wairakei—in the centre of the North Island, with its hot pools and top-class golf course with two conrses to suit those witb differing bandicaps — is an experience he will remember.

## Unpredictable

New Zealand's climate can be unpredictable so a nylon raincoat should be packed. So sbould casual clothes for weekends—no matter wbat time of the year.

Taxis are difficult tn find cruising and most bave to be ordered by phone or hired at street ranks. Shopping for clothes or personal gifts may seem expensive to the visitor but the exchange rate of the NZ dollar which is heavily depreciated against most currencies belps to balance this.

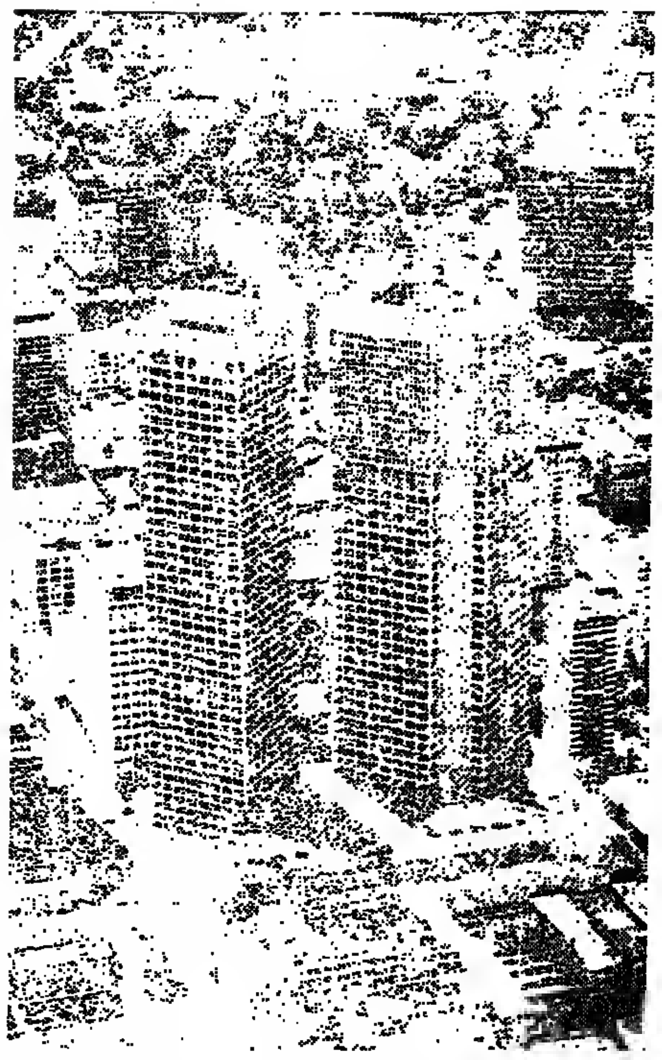
Telephones are extremely efficient but remember there is an 11—or depending upon summer time variations—a 13-hour time difference between NZ and the UK so arrange in advance to bave telepbone calls *made* at times convenient for hoth parties.

**D.H.**

## Four profiles of the top executives who run leading companies in New Zealand

RON TROTTER

# Fletcher Challenge thinks big



Fletcher Challenge: strong in construction and property.

Mr Ron Trotter, 54, who is big and fit-looking much in the style of Mr Malcolm Fraser, Australia's Prime Minister, is the chairman of Fletcher Challenge, easily New Zealand's biggest group. In his spare time he farms 1,000 acres with 3,000 ewes which he says is modest by New Zealand standards. He does not devote as much time to the farm as he would wish because his main hobby is work, although he also does a bit of gardening.

Fletcher Challenge, which Mr Trotter very much created in its present form, is easily the largest group in New Zealand. Last year it achieved pre-tax profits of NZ$96.3m, easily dwarfing its nearest rivals. The New Zealand Forest Products with NZ$52.2m and the Australia New Zealand Banking Group with profits of NZ$29.9m.

The company is also the largest group in terms of turnover and also in numbers employed. Fletcher Challenge employs 19,270 compared with L. D. Nathan, its nearest rival.

Mr Trotter put the Fletcher Challenge Group together from a merger between his own Challenge Group which had subsumed Tasman Pulp and Paper and the Fletcher Holdings in January of last year. Challenge had essentially been a stock and station company and Fletcher had been primarily a construction group. The enlarged group is now engaged in virtually every kind of New Zealand activity, farming, forestry, construction, fishing and some of the "think big" power and energy projects.

Mr Trotter came up on the farming and farm finance side. He graduated from the Victoria University of Wellington and Lincoln College in Canterbury, with a Bachelor of Commerce degree and a diploma in agriculture. He is a self-made man who started his career as a livestock agent and auctioneer. He retains a strong interest in agriculture and has strong views on it.

He feels that the subsidies to farming, which have been given for the past two years should be abandoned, since they encourage inefficiency. If we would like to see a devaluation backed up by other measures, "we should get rid of this cost-plus way of operating and let the free market sort out the inefficient," he says.

Despite his views that agriculture could still do more for New Zealand's balance of payments he wholeheartedly supports the "think big" policy of capital intensive resource-based projects. "We must push these projects," he says. To be self-sufficient in energy would be very good for New Zealand.

Fletcher Challenge was partly formed so that it could participate in the "think big" policy. "I reckon if there were going to be these projects then we would be there, but we had to become big enough to foot it first," Mr Trotter says.

The main project Fletcher Challenge is involved in has been having teething troubles. This is the second aluminium smelter. Fletcher Challenge was the local partner with Gove Alumina of Australia and Alusuisse. Alusuisse dropped out because it felt the Government priced its electricity too high. Negotiations are going on with Pechiney.

Mr Trotter is sanguine that something will come of the project, and if not this one there are others his group can be involved in. He expects over the next few years to see less of his family of three sons and one daughter as well as his farm.

**Dai Hayward**

BILL STEEL

# CPD chief tackles inflation

**BILL STEEL, blunt, out-chairman of CPD, one of New Zealand's largest diversified groups, advocates a simple but effective solution to help solve the country's single greatest problem — inflation. This could be reduced if every New Zealander, from top management executives or senior public servants down to shop floor workers or junior typists worked just one hour more per week.**

**Mr Steel is not advocating sweated labour or an extension of the working day. Many thousands of New Zealanders could achieve this one hour increased production without spending one more minute at work if they removed inefficiency and eliminated time-wasting.**

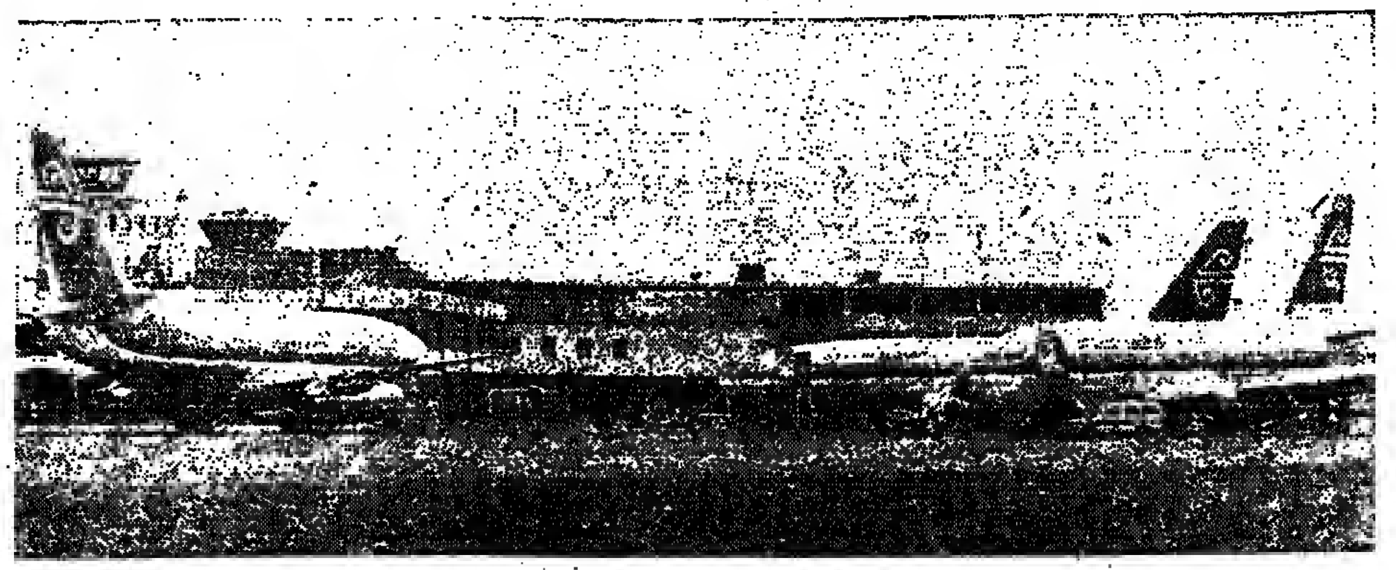
**In his own company, staff have afternoon tea brought to their desks. There is no congregating around coffee urns or cafetarias.**

**He is an accountant who is directly involved in a wide-ranging cross-section of the commercial world in New Zealand. CPD is involved in construction, motor vehicle sales, merchandising, ship repairs and engineering. He is also chairman or on the board of a dozen other companies ranging from the Mount Cook group of travel and airline subsidiaries to South British Insurance.**

**In between are investment companies, agricultural finance firms, insurance brokers, a luxury hotel and others including the Australian textile firm of John Foster Valley.**

**Bill Steel is nervous that the recent anti-inflation wage and price freeze introduced by the Government will provide only temporary relief and that while in force they will in his words "boil up a great head of steam which will blow when they are lifted." Despite inflation and his concern for the harm it is doing to New Zealand, he is not pessimistic about the country's long-term future. There are, he says, still**

**D.H.**



Part of the Air New Zealand fleet at the international airport, Christchurch.

BOB OWENS

# Lifting Air NZ into profit

MR R. A. (BOB) OWENS, the affable hard-driving New Zealand shipping magnate who, as chairman of Air New Zealand, has set himself the goal of turning a NZ$ 90m loss into a profit within two years has invited Mrs Thatcher, the UK Prime Minister, to his 61st birthday party.

Mrs Thatcher does not know it is Mr Owens' birthday and she may not turn up but the London party, which is also to celebrate the arrival of the first Air NZ direct Auckland-London flight on August 26 will be a success—for both Mr Owens and Air NZ.

It marks a significant step in Air NZ's fight to regain profitability. Mr Owens, a former ship's captain who served in the merchant and Royal Navy during the war, won't admit the date was deliberately chosen to coincide with his birthday but it would be typical of him.

Coming to New Zealand at the end of the war at the age of 25 he started his own shipping and stevedoring business with a capital of NZ$ 140 (£65). Today the Owens Group, of which Mr Owens is chairman, has seven separate companies in shipping, containers, transport, travel and insurance.

Bob Owens has never turned down a challenge—one reason he accepted the job of rebuilding Air New Zealand. Earlier he was involved in the take-over bid for the NZ Union Steam Ship Company, from the P&O Line against the TNT Group of Australia.

The result was a compromise 50-50 NZ-Australian interest. In 1976 the Owens Group merged its stevedoring interest with P&O and Shaw Savill Lines. Owens kept 60 per cent of the new company. Fiercely parochial, he works hard to foster local enterprise and cultural activities for the Bay of Plenty province. He was once simultaneously mayor of two neighbouring cities. While pioneering the NZ-Japan timber log trade in 1958 Bob Owens' interest was aroused in a country then still largely ignored by most New Zealanders.

He has combined this and another interest—horse racing—to foster trade through the annual Japan-NZ race meetings he established in 1971. These are held each year in Tokyo and Tauranga—Mr Owens' home town. Bob Owens is confident Air NZ will overcome its problems.

They should, he said, also forget about operating all over the world and look at what is most profitable for them. They could tie in with neighbouring airlines to service other routes. Shipping companies had to do this—airlines should learn from them said the seafarer turned aviation man.

**D.H.**

ARTHUR WILLIAMS

# Carrian Williams still growing

ARTHUR WILLIAMS left Margate in 1948 as a 20-year-old newly-qualified carpenter. He emigrated to New Zealand because there was a free passage.

Three years later with a bag of carpenter's tools and very little money he began working for himself, doing house repairs, odd carpentry jobs, small contracts and then bigger ones. His first small factory was a major landmark but it was still a struggle to pay for materials and wages.

Today Arthur Williams has no trouble paying the wage bill on his multi-million-dollar projects. From his 31st floor office on top of NZ's tallest office block—which he built and owns—he can see where his company has changed the Wellington skyline.

Last year he merged his company, Williams Development Holdings, with Carrian Investments of Hong Kong. Arthur Williams is chairman of the re-named Carrian Williams Holdings.

Perhaps, because he started small, Arthur Williams always thinks big—and often before his competitors. He built Wellington's first car park building against much opposition and scepticism from city motorists who saw no need to pay weekly parking bills when they could park for nothing on the street.

Mr Williams also pioneered owner-occupied high-rise apartment blocks in New Zealand. Involved in a confrontation with environmentalists who wanted to stop demolition of a dilapidated old building where he planned to build a luxury hotel he solved the problem in typical Arthur Williams style. He quietly bought up adjoining properties which nobody cared about, gave the old house at the centre of the controversy, which was valued at NZ$100,000 as a gift to the city and simply shifted his project sideways.

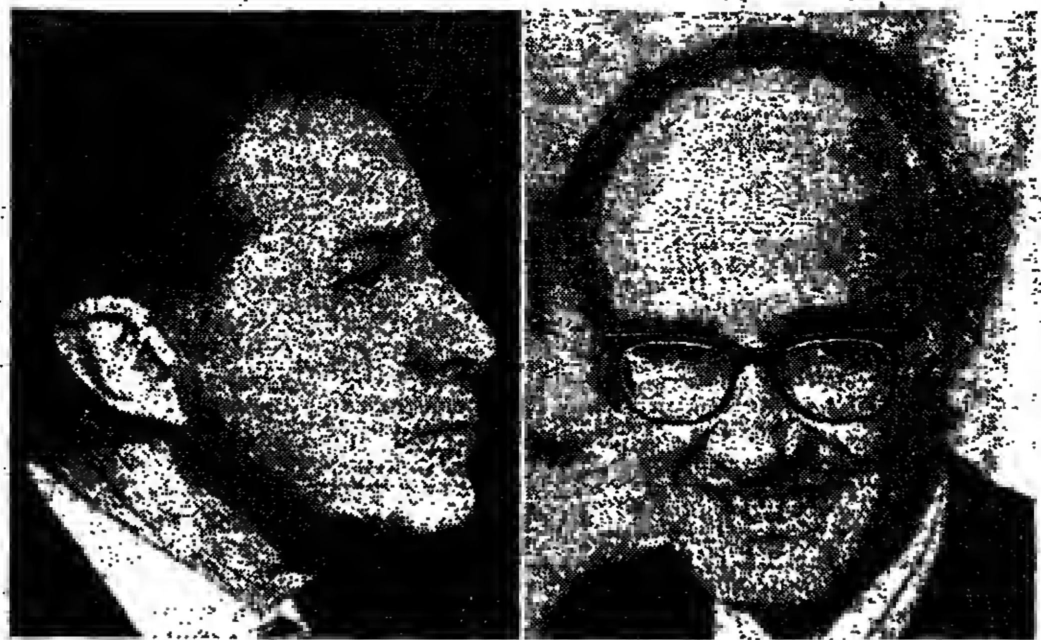
For many years he was regarded as a workaholic and often worked on building plans and designs in the small hours.

He keeps in close touch with the detailed running of his business and is in daily contact with his office no matter where he may be. Before merging with Williams the Hong Kong conglomerate thoroughly checked out the company and the man. It was the report it received on Arthur Williams the man, and father of five children, as much as the potential for growth in New Zealand which persuaded Carrian to become a 50-50 partner with him.

FOREIGN AFFAIRS

# Nato and the South Atlantic

By Ian Davidson



Caspar Weinberger (left) gave Europe pretty good marks for effort, but John Nott, Britain's Minister of Defence (right), faces controversy between advocates of a continental and a maritime strategy.

TWO WEEKS ago, a study was published by a foreign policy institute in Washington which called for the withdrawal of most U.S. ground forces in Europe. This is an idea which has been heard before, most forcefully over a decade ago when Senator Mike Mansfield made repeated efforts to get it put into practice. Fortunately, at that time, he was foiled; but the way things are going in transatlantic relations, the idea of U.S. troop withdrawals could again gain a groundswell of support.

The rationale for the Mansfield amendments rested on two pillars: on the one hand, the Europeans were not doing enough for their own defence; on the other, the U.S. contribution involved heavy foreign exchange costs which, in the context of serious American balance of payments deficits, were putting a strain on the dollar. The rationale of the new study* is partly the same, partly different: on the one hand, the Europeans are still not doing enough for their own defence; on the other, the U.S. should put more of its military resources into sea power, in support of global strategy.

The U.S. has long spent significantly more of its GNP on defence than its European allies, but the discrepancy narrowed in the 1970s after the Vietnam war as U.S. spending declined and European spending grew. But now, when America has been stirred by President Ronald Reagan into a rearmament crusade, it is hardly surprising that Americans should be irked at the thought that the Europeans are not doing their fair share. In principle, all Nato countries have been committed since 1977 to real increases in defence spending of 3 per cent a year, but in most European countries these targets have not been met most of the time: the European average was 2.2 per cent in 1979, 2 per cent in 1980, and around 2½ per cent in 1981. Mr Casper Weinberger, the U.S. Secretary of Defence, has not been reticent in banging the drum for a bigger European defence effort.

On the other hand, he has not wanted to give too much ammunition to the "troops out" movement in Congress, so while telling the Europeans that they must do more, he has also been telling Congress that the European effort is not too far out of line. A little over a year ago, he produced a report on "Allied Commitments to Defence Spending" which, surprisingly, gave the Europeans pretty good marks for effort. Instead of just comparing defence budgets as a share of GNP, it based its calculations on a complex "prosperity index," as the most equitable indicator of ability to pay. By this yardstick, the European allies were only marginally below their fair share of the common defence effort. Of course, the calculations were skewed in Europe's favour by the inclusion in the list of Japan, but at least that showed that the Japanese were doing even less for their defence than the Luxembourgers.

The Weinberger report is characterised, in a new report, by Peter Foot† from the Aberdeen Centre for Defence Studies, as "the culmination of three decades of intra-Alliance wrangling over burden sharing." But he warns that it is unlikely to dispose of the wrangling, and he criticises it on a number of grounds. First, the calculations take no account of non-financial subscriptions to the common defence, such as the provision of territory, and what is called Host Nation Support — civilian infrastructure and a civilian workforce in peacetime, and the earmarking of civilian assets for use in war. Secondly, and more generally, the wrangle over burden-sharing—"equality of sacrifice"—distracts attention away from what should be the real object of concern, equality of effort; in the end, what counts is not the inputs from the budget, but the outputs in the shape of defence capability, and equality of effort should be expressed in a rational division of labour.

In a striking coincidence, the first of these criticisms is very largely taken on board in the second Weinberger report on "Allied Contributions to the Common Defense," which was presented to Congress last week. Not only do the Nato allies maintain a much larger total of men on active duty than the U.S., but because most European armies are based on conscription, the military wage bill is significantly lower than it would otherwise be: "If our Nato allies paid their military at rates competitive with analogous segments of their economies, they would have to increase their total defense expenditure by more than $3.5bn," says the report. It also stresses the Host Nation Support element in the allied contribution, as well as their financial assistance to developing countries, which is much larger than that of the U.S. In sum, the Europeans are roughly shouldering their fair share of the total effort, but everybody must do more in future.

The Weinberger report does not address the more general argument of the Foot study—that Nato should be aiming at an improvement in the defence-effectiveness of its inputs, by means of specialisation between the member-states and a rational division of labour. At a time when all governments are facing a budgetary squeeze, and when defence costs are rising faster than the general rate of inflation, it does not make a lot of sense for each of the allies to be trying to maintain a full gamut of defence forces, as if the Alliance did not exist, Mr. Foot argues. In some cases, political considerations will outweigh military effectiveness:

"It may not make much military sense to have seven nations participating in the defence of the central region [of Europe]," he says, "but it makes a great deal of political sense." On the other hand, there is less of an offsetting political argument in the case of air power, and for each West European country to try to maintain the full spectrum of tactical missions is probably just inefficient.

Of course, remodelling the Alliance in terms of greater efficiency is easier said than done. Most governments would be reluctant to transform their defence forces into a wholly subordinate arm of the Alliance, and it cannot be said that Mr Foot does more than scratch at the surface of what the best technical solutions might be. But he does ask a number of questions about the British defence effort which illustrate the kind of reappraisal which might be appropriate for the Alliance as a whole.

"Does it make sense for the British to continue to keep 55,000 troops in West Germany? Would it not better serve the common good if some—perhaps all—of the UK's small but highly professional land and tactical air forces were assigned other roles, their positions on the central front being taken up by troops drawn from the larger, conscript-based force of the continental countries?

"Ought the British to go ahead with their unilateral decision to reduce the size of their surface fleet? Is the envisaged degradation of a general-purpose naval capability sensible, from the Alliance's standpoint, at a time when the demands for precautionary or reactive deployments outside the Nato area are likely to grow? Should Britain buy an expensive replacement for its ageing strategic nuclear force, or could the money be spent more fruitfully elsewhere?".

These questions are not particularly new or striking. What gives them extra resonance in Britain at the moment is not, however, any rational debate in the Alliance about Nato efficiency, but the aftermath of the Falklands crisis. The Government doggedly maintains that its defence priorities remain unaffected by the conflict in the South Atlantic. But it is obvious that the success of the Task Force has stirred up a considerable public controversy among the lobbies of the three services over whether Britain should have a maritime or a continental strategy. The other day I was talking to two defence experts, a Conservative MP and a military writer, who were discussing how best Britain could pay for a really grand navy. "We must scrap the Royal Air Force," said the writer. "No, no," said the Conservative MP, "we must get rid of the British Army of the Rhine—not withdraw it, disband it." Honestly, I am not making this up.

For the time being, until it has sorted out its own ideas, the Government has wisely chosen to ignore this controversy. But there is bound to be a lot of argument in the months ahead between the Defence Ministry and the Treasury over the costs of the Falklands war, and over the military and budgetary implications for the future. In principle, the Falklands war is supposed to be encapsulated as a special case, but in practice it will not be all that easy to say just what expenditure is Falklands-related and what is not. Will the permanent garrison for the islands, and their naval protection, simply be drawn from Britain's existing resources (thus weakening its Nato commitments), or will they mean additional resources? Fortunately, the Defence Ministry has progressively reduced its garrison demands, which started out as several thousand men on the islands and four or five surface ships, to a couple of battalions and a submarine or two. But whatever the size of the force, it must come from somewhere.

The first lesson of the Falklands war is not just that surface ships are vulnerable to missiles, but that sea-control is much more difficult than sea-denial, defence more difficult than attack, and therefore much more expensive. Despite the resurgence of naval fervour, Britain is never going to build the kind of giant carriers which could give a full panoply of early-warning and area defence, and it should not attempt to plan for a re-run of the Falklands affair.

The second lesson is that success in the South Atlantic would not have been possible without the Americans: a fortiori, British planning for any more formidable engagement should be geared to the more probable threat in the context of the Alliance. If there is a case for emphasising Britain's naval tradition, it should come from the Alliance, as part of the kind of reappraisal advocated by Mr Foot. At a time of increasing transatlantic rage over trade and economic questions, and over East-West relations, any unilateral action, which seemed to weaken Britain's commitment to the Alliance, could well provoke reciprocal pressures in the U.S.

* *U.S. Strategy at the Crossroads* by Jeffry Record, Institute of Foreign Policy Analysis, Washington DC.

† *Problems of Equity in Alliance Arrangements*, by Peter Foot, Aberdeen Centre for Defence Studies.

## Lombard

# The politics of monetarism

By Peter Riddell

SIR GEOFFREY HOWE will this afternoon make his first Commons speech on the economy for more than four months. But has he anything to say? The answer is probably not, apart from announcing an increase in the number of enterprise zones and familiar incantations about the need to contain public spending and borrowing. There are, however, plenty of questions which should be answered. What, for example, does monetarism now mean in practice?

At Sir Geoffrey's end of session meeting with the Tory backbench finance committee last week, many MPs commented afterwards about the dog that did not bark. There was virtually no mention of monetary targets. This is in contrast with a year or two ago when keen Tory MPs were all asking about the performance of narrower and broader aggregates. The discussion last week was apparently about interest rates, the exchange rate and the state of industry in the West Midlands—all familiar topics to any post-war Chancellor.

It is certainly possible to build up a picture of the Government's policy. Monetary targets, whether sterling M3 or others, have now been relegated in importance. Ministers would like to meet these objectives but they are no longer, to use a vogue word, paramount.

The main operational priorities are a reduction in interest rates and—a murkier area—nudging down the exchange rate. There appears to be no specific sterling target as such, more a preferred direction of movement, and at present that means lower against the D-mark. No Treasury ministers have publicly said this but it is what the more astute MPs, and the City markets, have inferred.

But where does all this leave monetarism? Lewis Carroll might be better equipped to answer than Milton Friedman, to judge by a curious debate held during the report stage of the Finance Bill a fortnight ago. The Government proposed a new clause removing existing limits on the Treasury's ability to use the National Loans Fund, which has until now been the main conduit for the borrowing of many public sector bodies.

The problem has arisen because the Government has recently over-funded, that is sold more debt than it needs to borrow. This has been partly because of mistakes in borrowing projections and has been partly to offset the growth of bank lending. To ensure that any resulting shortages of liquidity have not pushed up short-term interest rates, the Government has lent some of the money back to the banking system. But the means of this re-lending, by purchases of Treasury Bills, has virtually run out, so the new clause proposed that the National Loans Fund should be used for such re-lending, "for the purpose of promoting sound monetary conditions."

The logic of such essentially circular transactions—overfunding leading to re-lending—did not convince any of the MPs in the debate, and the normally forthright and robust Jock Bruce-Gardyne, for the Treasury, was thrown on the defensive. It may be necessary to relax the NLF controls to prevent short-term monetary disturbances, but are such cosmetic exercises really what monetary control is about? Is it anyway desirable to overfund, thus raising long-term interest rates, and then to re-lend, holding down short rates, and producing a steeper yield curve?

Apart from these monetary points there are, of course, plenty of questions about the "real" economy—the deterioration in growth prospects since the March Budget and the outlook for unemployment. Sir Geoffrey likes to pride himself on his Welsh commonsense: perhaps this afternoon he could surprise us with some Celtic candour.

# Letters to the Editor

## Building societies' 'merger mania'

*From Dr T. J. Gough*

Sir,—A new wave of "merger mania" has recently been sweeping the building society industry. The (alleged) benefits of mergers between the giants has been widely advertised to an extent that mergers may now widely be regarded as both inevitable and desirable. I venture to suggest that this view should not be taken uncritically without at least considering the following points:

Firstly, that mergers of large building societies inevitably must increase the concentration of power amongst the top few societies, and this in an industry where concentration is already high. Increased concentration raises market power and brings with it heightened danger of monopolistic practices.

Secondly, each merger must necessarily (in the absence of new entry) lead to decreased choice for investors and borrowers. This restriction becomes important if the mergers are large in number and involve big societies.

Thirdly, the whole case for mergers rests on achieving greater efficiency. Yet, the weight of empirical evidence shows no association between efficiency and size in the UK building society industry. Indeed the leaders of the industry in terms of profitability and costs of operation are some of the very smallest societies with no branch network (see Investment Analyst, July 1982).

Fourthly, that the costs of merger are themselves not insignificant—re-deployment of staff, rationalising branch networks, changing the management structure, harmonising computer systems, not to mention the withdrawing of two old brand images and the projecting of a new one.

Finally, the history of mergers in other industries is not wholly irrelevant. The evidence (e.g. of comprehensive surveys by Meeks, and more recently by Cowling) suggests that the bright young hopes of the "matrimonial partners" of a merger are soon turned into a generally "disappointing marriage." Efficiency usually remains stagnant or declines, even many years after the merger.

This is not to say that all mergers between building societies should immediately stop. Rather that the societies should follow the Chancellor's recent advice to them to explain the reasons for a particular merger proposal. At the same time the members of involved societies may wish to pause for thought before giving their approval. Bigger and fewer is not necessarily better.

T. J. Gough,
Lecturer in Economics,
Dept. of Applied Economics,
University of Wales Institute of Science and Technology.
*Cardiff.*

## The way forward in accounting

*From Mr C. C. Goldsmith*

Sir,—The latter part of your leader (A way forward in accounting, July 7) reaches to the heart of the matter in the argument which is currently being discussed by the members of the English Institute of Chartered Accountants. Most of the discussion and correspondence in your newspaper appears to centre around whether there should be accounting for inflation or not.

In fact, I think most of us agree that there must be some adjustments to Historical Cost accounts in order to reflect inflation, but there are two basic and very different arguments against CCA which are persuading a large number of institute members to vote for the Keymer and Haslam resolution. The first concerns the subjectivity of this particular system and the cost in producing it, and the second is the refusal by the Inland Revenue to accept the system as a basis for taxing corporate profits. Both points have been discussed previously in your columns.

The favoured system for accounting for inflation among many accountants is the CPP system which, had the government of the day, through the Sandilands committee, been prepared to accept in 1975, would probably now be installed and running as a standard.

Your suggestion that all of those voting for the Keymer and Haslam resolution are backwoodsmen is unfair. Most of us are not trying to turn the clock back but to stop the system with which we do not agree and which, if unchecked now, would lead to its permanent adoption, and furthermore to persuade our institute to think again about the alternative of CPP. We would also hope that this particular method would now be more acceptable to the Revenue.

C. C. Goldsmith,
Little Copyhold,
*Albourne, Sussex.*

*From Mr T. J. Manners.*

Sir,—The executive committee of the Issuing Houses Association has followed with interest the debate on Current Cost Accounting now taking place within the Institute of Chartered Accountants.

It is the view of the IHA that, whatever may be the shortcomings of any particular system of inflation accounting, it must be the case that historic cost accounts do not, in times when inflation has reached the levels recently experienced in this country, give to investors a complete portrait of their company's affairs.

It is now a requirement of the City Panel on Takeovers and Mergers that, where Current Cost Accounts are publicly available, they should be included in any offer document sent to shareholders in a takeover situation. This requirement has the full backing of the IHA, who also take the view that any prospectus or offer for sale document inviting subscriptions of shares from the public should, unless there are good arguments to the contrary, include a statement of the profits of the company drawn up on a basis which takes inflation into account.

The present Current Cost Accounting System, laid down by SSAP 16, was introduced on March 31, 1980, for a trial period of three years in respect of accounting periods starting on or after January 1, 1980. It would seem to be premature, to bring that experimental period to an end.

T. J. Manners,
Chairman,
Issuing Houses Association,
*Granite House,*
*101 Cannon Street, EC4.*

## Reducing the tax burden

*From Prof D. R. Myddelton.*

Sir,—Mr Leon Brittan is reported to have said that the key to reducing the burden of taxation was reducing public expenditure, and that the best way of doing that was "to cut manning and improve efficiency so as not to adversely affect service levels."

Admittedly much government activity (not only government *spending*) may be wasteful. But identifying "waste" is not easy in a system which deliberately separates costs from benefits, and there will naturally be resistance to any changes expected to lead to loss of jobs. Moreover, even if waste can be both identified and eliminated, in the absence of competition it will probably tend to creep back in.

Surely the most effective way to cut government spending is to "privatise" some activities which *have* been collectivised? Government consumption now represents about 40 per cent of personal consumption, a higher proportion than at any time since the end of the war. Since nearly half of government consumption consists of spending on education and health, would it not be worth transferring most of these two welfare services from the bureaucratic monopolistic compulsory state sector to the enterprising competitive voluntary private sector?

This would enlarge freedom of choice for consumers and taxpayers. And by increasing competition among producers, it would improve efficiency and innovation. Are there any disadvantages?

D. R. Myddelton.
*Professor of Finance and Accounting,*
*Cranfield School of Management, Cranfield, Bedford.*

## Morality of pension fund managers

*From Mr R. N. Quartano*

Sir,—In the Lombard column (July 9) John Plender asks what the recent pension fund activity on golden handshakes, directors' housing etc. achieves. He finds the "high morality" of pension fund managers odd since they are themselves unregulated.

*If, as shareholders, we think* that the requirements of the Stock Exchange or of the Companies Act *may not* have been complied with, then surely we should say so. If we did not, what would Mr Plender write in his next article? As to morality, journalism is also an unregulated profession but this has never inhibited Mr Plender.

R. N. Quartano.
Post Office Staff
Superannuation Fund.
*Equitable House,*
*47-51 King William Street, EC4.*

## New Atlantic Conveyor

*From Mr Stanley Sedgwick.*

Sir,—The contract for the replacement of the Atlantic Conveyor should be awarded to British Shipbuilders. The excess cost over the prices quoted by Far Eastern yards should be paid to Cunard and charged in the Government's accounts to the cost of Falklands operation —*not* as a shipbuilding subsidy —thus avoiding contravention of the EEC subsidy rules.

Surely it is better to apply available funds to productive employment in a British yard than towards additional unemployment benefit.

Stanley Sedgwick.
Deputy chairman, London and Overseas Freighters,
*8, Balfour Place, Park Lane, London, W1.*

# Ellis and Everard expands by 32% to end at £1.5m

STEADY progress at Ellis & Everard, chemical distributor, has been reported for the year to April 30 1982 with a 32 per cent rise in pre-tax profits from £1.15m to £1.51m. Mr Simon Everard, chairman, says he is confident that all divisions will continue making positive profit contributions.

A final net dividend of 4p has been declared which effectively raises the total from 5.91p to 6.5p. Earnings per 25p share are given, before tax, as rising from 14.4p to 18.8p, but after tax as declining from 14p to 12.2p. A one-for-ten scrip issue has been proposed.

At half time increased pre-tax profits from £701,000 to £803,000 were shown and the results for the year were expected to show progress and growth.

Improved profitability, says Mr Everard, owes more to rigid cost controls than to better trading margins. "Profit levels achieved," he says, "are not all up to the target standards we seek."

He says that the much heralded upturn in the UK economy always seems to be just around the next corner. Nevertheless the year under review had a particularly important feature—all four of the trading divisions made a positive contribution to group profit. Updated projections give rise to confidence that the upturn in the company's fortunes will be further confirmed in the present trading year.

Group turnover improved from £29.61m to £33.45m. Sales in the merchanting division came to 85 per cent of the total and at £28.53m showed a 12.8 per cent rise on the previous year. Mr Everard believes that this increase represents growth in real terms during a period when many economic indicators were static or pointing downwards.

He adds that certain branches have been amalgamated and the sales force restructured.

Sales in the manufacturing division rose from £714,000 to £851,000. Mr Everard points out that in his last report he expressed the hope that he would soon be able to report a positive contribution from this division, and claims that this hope has been well justified.

Exports sales produced a 30 per cent growth in sales to £1.51m. Each year the division achieves record sales, says Mr Everard, but profitability in the year under review has tended to fluctuate. Despite some ups and downs he regards the result as satisfactory.

Sales in the fine chemicals division rose from £2.29m to £2.54m, with the UK market accounting for £1.61m (£1.48m).

Pre-tax profits were struck after interest receivable of £111,000, against £144,000, which was offset by interest payable of £219,000, compared with £237,000.

Tax rose from £515,000 to £533,000, but after an exceptional release last time of £482,000 post-tax profits fell from £1.11m to £981,000.

There was an extraordinary debit last time of £70,000 which left attributable profits also at £981,000 compared with £1.04m.

● comment

Perhaps the most pleasing aspect of Ellis and Everard's figures is the news that the fine chemicals division—acquired two years ago—has finally contributed to profits. Having achieved total coverage as regards UK distribution network, E&E naturally enough identified overseas "sourcing" as the next step. It has finally made its long-awaited U.S. acquisition, though the company concerned will be pushed to repeat the $600,000 it made in the year to May 1982. A recent small S. African acquisition forms part of the same policy, and although gearing has doubled it is no more than 35 per cent. The shares closed up 8p at 162p, a nine-year high. The resultant P/E is a very fancy 16.4. This seems as much as anything a reflection of the scarcity of the shares, to which a 1-for-10 scrip issue seems a rather ineffective response. However, had the U.S. acquisition been made with paper there would have been complaints about earnings dilution. ICI holds 26 per cent of the equity.

## HIGHLIGHTS

After a brief look at the financial market the Lex column turns its attention to the tentative agreement by **Whitbread** to buy a U.S. wines and spirits business from **Nabisco Brands** for $155m. The column then looks at **Linfood** which has just squeezed home with its profits forecast for the year to April before turning to the asbestos scare, examined in terms of what it means for industry and the insurance community. On the bids front **Imperial Group** has entered into a $44m poultry disposal in the U.S.. **Amalgamated Tin Mines of Nigeria** receives an offer from **Dove Holdings** and **Johnson Group** posts its defence against the **Sunlight** bid.

# AAH down to £8.6m but payout is raised

SECOND HALF pre-tax profits at AAH Holdings were down from £3.2m to £3.09m, and figures for the full year to March 31 1982 were also lower at £8.62m compared with £9.7m. Turnover of this holding company with interests in fuel distribution, builders' supplies and distribution of pharmaceutical products, improved by 18.8 per cent from £360m to £425m.

Mr W. M. Pybus, the chairman, says all activities, except engineering (which was 1.5 per cent down), increased their turnover during the year. After falling 14.7 per cent behind at the end of the third quarter, pre-tax profits picked up in the final period and were subsequently 11 per cent down on the previous year.

Despite the setback, the group is raising the final dividend from an adjusted 2.7885p to 3.1p for a total effectively raised from 4.7p to 5.2p net.

Mr Pybus says that while there are signs of a recovery in some of the fields in which the company operates, it would be imprudent, at this time, to make a forecast of the outcome for the year as a substantial part of the company's business depends on trading in the winter months.

Solid fuel again made an outstanding contribution to group trading profits after all expenses, except interest and tax. The increase from £6.05m to £6.35m was achieved despite stock profits considerably lower than the previous year.

The severe weather in December and January created heavy demand, but there was a significant downturn in the following two months.

Considerable stocks of coal have been built up on the Continent because of the low level of consumption caused by the continuing world wide depression.

The fierce competition in the oil industry and the success of the group in fighting for market share are illustrated by increases in turnover in sterling of more than 30 per cent and volume by nearly 9 per cent, but a decline in trading profit of 12.5 per cent from £1.08m to £942,000.

There was no relaxation of the severely difficult trading conditions in pharmaceutical supplies associated with excessive discounting in the wholesale trade, which, he says, has been an extremely unwelcome feature of recent years.

Road haulage, with profits 23 per cent down at the nine months stage, performed strongly in the final quarter to earn 38 per cent of the year's trading profit in that period. It was helped by business obtained because of the rail disruptions, and is confident it can keep a part of this business permanently.

Commenting on the group's engineering activities, Mr Pybus says the shortage of orders, which he referred to last year, has become progressively more severe.

The year's pre-tax figure for the group was after interest payable less receivable of £2.08m (£2.19m). Tax took £2.43m (£3.08m). Group net profit attributable to National Coal Board and other outside interests was £2.08m against £2.29m. Attributable profits to ordinary stockholders emerged at £4.03m compared with £4.39m, and after dividends of £1.5m (£1.35m) retained profits were £2.53m (£3.04m). Stated earnings per 25p share were 14p (14.9p, adjusted for one-for-one scrip).

On a CCA basis, pre-tax profits were £6.7m (£6.6m).

● comment

To cover a 9 per cent yield nearly twice on a current cost basis is not something which many companies achieve; such a rating suggests that the market is less than convinced by the quality of the earnings. In the case of AAH that seems a little unjust, even though the group has just reported its first earnings setback in 15 years. The shares gained 1p to 85p. Part of the trouble may be that AAH is engaged in a number of rather non-glamours businesses, ranging from coal and fuel-oil to gear-cutting and with over half the earnings coming from solid-fuel distribution. The opportunities for growth there may indeed be limited—as they probably are in pharmaceutical wholesaling, though Ellis is one of the more successful operators in a difficult market. For the present AAH has picked up extra volume and thinner margins in fuels, drugs, and road haulage. In each case the assumption is that margins will at some point enjoy a cyclical recovery and the market share can then be retained. Further ahead, successful diversification may be the only key to a re-rating.

# Percy Bilton ahead at £7.2m

A RISE of £1.09m in pre-tax profits to £7.22m has been shown by Percy Bilton, property investor and civil engineer, for 1981, with £4.03m, against £3.33m coming in the second half. Turnover moved ahead from £28.32m to £23.62m.

A final net dividend of 5p (4.4p) has been declared, which raises the total from 6.9p to 7.5p. Earnings per 25p share were given as falling from 13p to 12.5p before extraordinary credits.

The directors are confident that the company will continue to expand its activities and achieve growth and profitability. They state that the first five months of 1982 show an increase in profits over the same period in 1981.

The directors add that it will be the end of 1982 before the demand for new premises reaches the level experienced several years ago. They are ready to increase the pace of developments to meet demand and expect improved rental income from new projects and rent reviews.

Investment income rose from £7.4m to £8.62m and at the trading level profits were ahead from £442,000 to £551,000.

Pre-tax profits were struck after interest charges rose from £1.82m to £1.94m. There were also associate losses of £10,000, compared with profits of £124,000, and licence fees paid on properties in the course of development of £5,000 (£11,000).

After higher tax of £2.54m (£1.23m) attributable profits emerged lower at £5.04m against £6.34m. This includes extraordinary credits of £354,000 (£1.44m) and was after minorities.

● comment

Percy Bilton's experience appears to confirm that these are thin times for industrial property companies. Rent reviews have been producing meagre increases of between 4 and 8 per cent, and although rental income increased by 12½ per cent overall, Bilton has not found it easy to let the smaller industrial units (under 12,000 ft) at acceptable rates. It is scarcely surprising, therefore, that the company has cut down on its level of speculative development or that it has again refrained from bringing out a property revaluation. Internal revaluations are said to show net assets sufficient to place the shares on a discount similar to others in the sector; based on yesterday's share price of 190p, that suggests assets for shares still in the region 260p. The yield is 5.8 per cent.

# First losses for Arlington Motor

THE FIRST losses in the history of Arlington Motor Holdings have been recorded in the year ended March 31 1982. For the period the group has turned in a pre-tax deficit of £90,000, against a profit of £249,000 previously, with the setback blamed almost entirely on its involvement in the commercial vehicle market.

Despite the disappointing results for the year, Mr N. C. N. Housden, the chairman, says the board has full confidence in the future of the group and the final dividend is therefore being maintained at 2.5p net for a same-again total of 5p per 25p share. Stated loss per share was 4.6p (18p earnings).

The chairman says that in current economic conditions it is easy to attach too much importance to an upturn in business which may prove to be only temporary. However, management accounts show that the group to have been trading profitably so far this year, with trading results well ahead of those for the corresponding period of last year.

Reviewing the year's results, Mr Housden says that with regard to the commercial vehicle market, the group's policy of recent years of reducing the extent of its reliance on this market has mitigated its impact. The group's motor car dealerships, as well as its bus and coach activity, have increased sales and have been profitable.

Good progress has been made by the car auction activity, which was expanded by the acquisition of a further auction during the year.

After a tax charge of £116,000 (£214,000 credit) the net loss came out at £206,000, against earnings of £608,000 previously. An extraordinary credit of £215,000 this time however, produced a small attributable surplus of £9,000 (£608,000). Dividends again cost £224,000 leaving an amount of £215,000 transferred from reserves (£384,000 to reserves).

● comment

Arlington's figures once again underline the sorry state of the motor industry. The group, however, is hoping to make fewer apologies in the current year. Trucks are down to 27 per cent of Arlington's turnover, half their level five years ago. It now has three auction businesses, two of which Arlington says are "great successes." The passenger coach business is perking up—aided by the recent rail traumas—and this year it should be about a third of Arlington's sales. The company is also cheered by the sales of the Vauxhall Cavalier which it says are boosting its market share in the depressed car business. Despite recent asset sales, net borrowings went up in the year because of the company's diversifications and now stand at about £5.2m. Capital gearing, as a result, has gone up to a worrying 60 per cent. Interest payments, however, should be coming down thanks to declining interest rates and more generous terms from the manufacturers on vehicle stocking. Arlington appears set to creep back into the black this year, but the shares unchanged at 65p are not likely to start moving until the market sees some sign of this recovery. The yield (on the unchanged dividend) is 11½ per cent.

# Good start made by Racal

A GOOD start to the current year has been made by Racal Electronics and during the first 12 weeks both order intake and deliveries were higher than for the corresponding period a year ago, says Sir Ernest Harrison, the chairman.

"Therefore, we can look forward to another record year, our 28th in succession," he tells members in his annual statement.

As reported June 24, group pre-tax profits increased by over 40 per cent to £102.62m for the year ended March 31 1982, against £73.21m previously. Sales rose by 20 per cent from £536.43m to £643.89m.

The improvement in the performance of Decca continued with a swing round from losses of £2.45m to profits of £9.48m. This year the profit contribution from Decca is expected to be substantially higher, benefiting from increased volume, improved margins and a reduced loss on the consumer goods activities.

During the last financial year, the group's net borrowings were cut from £107m to £46m. As a result, the interest charge for the current year will be reduced, although Sir Ernest says that a large part of Racal's borrowing is in the U.S., where interest rates are high and appear destined to remain so for some time.

At the year-end, shareholders' funds, net of goodwill, had increased from £172.45m to £246.6m, while capital employed amounted to £357.26m (£260.98m). Fixed assets rose from £101.49m to £136.46m and net current assets were higher at £219.6m (£158.08m). Working capital in the year showed a decrease of £30.68m (£42.51m increase) and there was a net outflow of funds of £116.13m (£36.6m).

Meeting: Waldorf Hotel, WC, August 17, at 11.45 am.

# Robert Lowe £79,000 in the red at six months

A DIVE to pre-tax losses of £79,193 compared with profits of £132,394 has been shown by Robert H. Lowe for the six months to April 30, 1982. Sales at £3.95m, against £3.78m, were described by Dr R. Cameron, chairman, as "disappointing" and did not reach the level expected at the beginning of the period.

The results show the first loss in the history of this textile maker and follow recent management changes and restructuring of shareholdings, with County Bank and Refuge taking stakes of 12.5 per cent each.

Trading prospects for the year show little sign of change and the directors are unable to see any immediate significant improvement in profitability.

The interim dividend has been held at 0.665p net—last year a total of 3.265p was paid from pre-tax profits of £241,000. Losses per 25p share were given as 2.53p against previous earnings of 1.95p.

Dr Cameron says that the early promise of an improvement in the trading environment was not sustained and there has been no easing of pressure on margins. The continuing uncertainty in the market place has kept order backlogs short and production units have suffered from lack of volume and some short-time working.

Net interest of £7,674 was payable this time compared with previous receipts of £44,327. There was a tax charge last time of £69,000.

Attributable losses emerged at £79,193, against previous earnings of £63,394.

# Revenue rise for U.S. and General Trust

Gross revenue of the United States and General Trust Corporation rose from £718,019 to £833,126 for the six months to June 30 1982.

The net asset value per 25p share after deducting preference stock at repayment value stood at 351p, against 375p last year.

The directors say that, as it is expected the trust will be unitised before the normal payment time of the final dividend, they have decided to distribute most of the net income receivable in the half year and have increased the interim dividend. An interim of 5.5p (4p) has already been announced.

They say that further income received by the unitisation date will be distributed in a second interim dividend.

The trust reports management expenses of £79,679 compared with £47,394 for the same period last year. Tax took more at £257,000 against £225,000.

# Robert Fleming shows progress to reach £9m

Further progress has been reported by Robert Fleming Holdings with an increase in group profits after tax and transfer to inner reserves from £7.32m to £9.12m for the year to March 31, 1982.

Gross assets were shown as rising from £287.42m to £340.56m. Net assets were higher at £77.97m (£73.56m).

The present year has started with a high level of activity in all areas according to Mr J. Burnett-Stuart, chairman, and he expects the next year to be satisfactory.

He points out that the past year has been a good one for investment management activities, where the long-established emphasis on the Far East has been of value. Other features have been in the bank's corporate finance department which has built up a strong client base, and property investment, where the subsidiary Lochside Land has successfully completed some profitable developments.

During the year Mr Burnett-Stuart says an important step was taken by increasing the investment in Save & Prosper from 22.84 per cent to 53.15 per cent.

Investment trusts managed by the group have been reorganised, which was another significant development.

Dividends absorbed £2.88m (£2.19m).

# 17% advance by Walter Alexander

A 17 per cent increase from £2.26m to £2.64m in pre-tax profits is reported by Walter Alexander for the year to March 31 1982. Turnover of this group — its activities include coachbuilding, filter manufacture, liquid fuel distribution, the motor trade, light engineering and continental quilt manufacture — was virtually static at £41.57m compared with £41.75m.

Costs of reorganisation and rationalisation — £486,000 before tax relief — relating to the coachbuilding activities have been borne as an extraordinary item.

Mr W. R. Alexander, the chairman, says the prospect of reducing coachbuilding activity in the current year, and the fact that most of the employees in the group are not receiving an increase in their pay this year have influenced the decision to hold the dividend at 4.5p net.

The pre-tax figure included associates' share of £268,000 (£567,000). Tax took £792,000 (£265,000) and after minorities of £54,000 (£68,000) and extraordinary items of £223,000, attributable profit was £1.57m (£1.92m).

Stated earnings per share were down from 15.2p to 14p. The company's shares are dealt on the market formed by M. J. H. Nightingale.

## RESULTS AND ACCOUNTS IN BRIEF

**CULLEN'S STORES** (grocer, wine, spirit and beer merchant)—Results for the year ending February 28 1982 as reported June 11: Fixed assets £4.16m (£4.19m); net current assets £4.84m (£5.31m); shareholders' funds £4.62m (£4.99m); net decrease in working capital £52,650 (£152,694).

**CASTINGS** (malleable ironfounder)—Results for year to March 31 1982 reported June 5. Shareholders' funds £2.68m (£2.56m); fixed assets £3.07m (£3.33m); net current assets £867,795 (£592,162). Current cost pre-tax profits £453,267 (£513,229) against historical profits £550,318 (£511,490). Meeting: Brownhills, West Midlands, August 12, 3 pm.

**COMMERCIAL BANK OF THE NEAR EAST**—Unaudited results for six months ended June 30 1982 show an improvement compared with those for the same period last year.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| AAH Holdings | 3.1 | Oct. 28 | *2.79 | 5.2 | *4.7 |
| Arlington Motor | 2.5 | — | 2.5 | 5 | 5 |
| Percy Bilton | 5 | — | 4.4 | 7.5 | 6.9 |
| Ellis & Everard | 4 | Oct 8 | *3.64 | 6.5 | *5.91 |
| Thomas Jourdan ...int. | 1.75 | Aug. 30 | 1.75 | — | 5.25 |
| Linfood Hldgs | 7 | — | 6.5 | 12 | 10 |
| Robert H. Lowe ...int. | 0.67 | Oct. 1 | 0.67 | — | 3.27 |
| Merrydown Wine | 3 | — | 1 | 3 | 1 |
| St Andrew Trust ...int. | 2.5 | Oct. 1 | 2.5 | — | 6.5 |
| Temple Bar In. Trst int. | 1.5 | Sept. 30 | 1.25 | — | 3.95 |
| F. H. Tomkins | 0.78 | — | 0.65 | 1.35 | 1.15 |
| U.C. Investments ...int. | 35 | Sept. 10 | 45 | — | 160 |

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § To reduce disparity with final. A final of not less than 3.95p is forecast. ‖ South African cents throughout.

 UK COMPANY NEWS

# Linfood advances 33.8% to £11.9m

CONFIRMING forecasts made at the time of the unsuccessful bid by Argyll Foods, Linfood Holdings reports a 33.8 per cent rise in pre-tax profits from £8.9m to £11.93m for year ending April 24 1982. Sales of this retail, wholesale and cash and carry distributor rose from £1.02bn to £1.04bn.

The directors say the advice given to shareholders has proved correct. Last October they predicted pre-tax earnings of £11.6m, and they forecast a 20 per cent rise in the dividend to 12p.

The final net dividend is 7p (6.5p) which raises the total from 10p to 12p. Earnings per 25p share are given as rising from 15.2p to 19.9p, or fully diluted, from 15.5p to 19.7p.

At the interim stage a dividend of 5p was paid on taxable profits of £5.56m (£4.54m).

Trading profits rose by £2.8m to £15.16m.

Taxable profits were struck after exceptional closure and redundancy costs of £915,000 and interest charges on convertible unsecured loan stock of £1.17m (£1.2m) and on bank and other borrowings of £2.07m (£2.25m).

Tax took £2.79m (£2.05m) and there was an extraordinary debit this time of £897,000 and a minority interest charge of £329,000 (£258,000).

Attributable profits increased from £6.61m to £7.9m. The net tangible asset value per share rose from 122.8p to 128.7p. Retained earnings stood at £2.57m against £2.2m.

CCA pre-tax profits rose from £6.84m to £8.8m and earnings per share from 10.4p to 12.9p.

Despite rapid growth at Gateway and Dee, say the directors, sales grew modestly reflecting the continued contraction of the delivered wholesale business and the planned changes in product mix in both cash and carry and hypermarket sales.

Linfood's balance-sheet has been strengthened by the sale of the delivered wholesale division in April to the division's senior management, say the directors. They add that the company is no longer faced with the need to undertake major reorganisations.

They say the profitability of the remaining businesses improved—Dee in particular had an excellent year. Gateway has turned the corner and present sales growth augurs well for the future, although the directors feel a great deal remains to be done.

The company is significantly different following radical changes in the senior management team during the year. Mr Ron Jacques, managing director, is also to leave his post but will remain as a non-executive director.

See Lex

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Claverhouse Investment Trust, National Westminster Bank, Vantage Securities, Vantona.

Finals: Acrow, Hambro Trust, London and Gartmore Investment Trust, Norton and Wright, Benjamin Priest.

FUTURE DATES

Interim—
Bath and Portland ... Aug 5

Finals—
Aeronautical and General Instruments ... Aug 10
Celtic Haven ... July 29
Dyson (J. and J.) ... July 30
Gnome Photographic ... Aug 5
Norton (W. E.) ... Aug 4
Reedy (Allied) ... July 30
S.E.E.T. ... Aug 18
Shaw and Marvin ... Aug 2
Westhome ... July 30

## F. H. Tomkins sharply ahead to £1.27m

TAXABLE profits of F. H. Tomkins rose sharply from £788,000 to £1.27m for the year to May 2 1982 on lower sales of £15.32m against £16.12m.

The directors say that with improved earnings in both historic and current cost terms, they propose to restore the dividend to its 1979/80 level of 0.775p net (0.65p). This makes a total of 1.35p (1.15p) per 5p share. Earnings per share rose from 2.814p to 3.856p.

The company manufactures buckles, bright drawn steel and nuts and bolts.

Tax took more at £252,000 (£65,000) while there was a minorities charge of £27,000 (£12,000). Last year there was an extraordinary debit of £1.78m.

## Thomas Jourdan shows upturn in first half

FOLLOWING THE expectation in March of a substantial improvement in the first quarter, Thomas Jourdan, investment holding company, has turned in sharply higher pre-tax profits of £197,000 for the six months to July 3 1982, against £48,000 last time. Turnover showed a decrease from £2.55m to £2.4m.

The directors say turnover in royalties has returned to the level enjoyed two years ago, almost entirely because of recovery in the sales of cosmetics. In the group's trading companies however, a straight comparison with last year is difficult because of the sale of Simplon Lighting and Hemcol and the purchase of Suncrest Surrounds.

The absorption of Suncrest into the group is proceeding well and the directors believe this company will prove to be an excellent addition to the group. They continue to look at other consumer product companies for possible acquisition.

The directors believe the company is progressively better able to withstand the effects of the recession and report that all group companies are trading profitably.

The interim dividend is maintained at 1.75p net, while earnings per 10p share have increased from 0.64p to 2.48p—last year's total payment was 5.25p and pre-tax profits amounted to £246,933.

First-half group trading profits advanced from £72,000 to £238,000 and were split between royalties, £116,000 (£65,000) and trading companies, £122,000 (£7,000). Interest charges took £41,000 against £24,000.

Tax charge was up from £22,000 to £89,000. Last year, there was also an extraordinary credit of £70,000.

## Cardinal Inv. Trust improves at mid-year

Total revenue of the Cardinal Investment Trust advanced from £929,924 to £967,474 for the first half of 1982 and the after-tax figure moved ahead from £402,553 to £427,217.

Earnings per 25p deferred share improved from an adjusted 1.72p to 1.83p and the interim dividend is effectively raised from 1.1p to 1.3p net—the board expects to at least maintain last year's total of 3.3p, which was after adjusting for the one-for-two scrip issue.

Management expenses and interest took £311,605 (£307,896) in the half year, while tax accounted for £228,652 (£219,475).

At the half year, net asset value per deferred share was 117.2p (at December 31 1981 adjusted 124.4p) after prior charges at par, or 119.7p (adjusted 127.4p) after prior charges at market value.

## Progress for Provident Life Association

The Provident Life Association of London, controlled by Winterthur Swiss Insurance Company, the Swiss insurance group, recorded an 8 per cent rise in new annual premiums in the first half of 1982 from £1.48m to £1.6m and an increase of nearly 150 per cent in single premiums from £218,000 to £527,000.

New annual premiums on life assurance contracts fell from £1.22m to £1.18m, but this was more than offset by a 64 per cent rise in pension annual premiums from £255,000 to £418,000.

## London and Manchester's unit-linked business up

STRONG GROWTH in unit-linked business enabled London and Manchester Assurance Company to show a near fourfold rise in single premiums in the first six months of the year from £1.53m to £5.69m. New annual premiums showed only a 3 per cent increase from £6.88m to £7.13m.

The company's change in sales organisation has showed good results in the period. With more emphasis now being placed on business from intermediaries, the life broker division showed a jump from around £550,000 to £3.7m in single premium business and an 8 per cent rise in new annual premiums from £900,000 to £1m. There was strong growth in linked business, on both annual and single premiums but a decline in annual premium mortgage business.

The pensions division also showed strong growth in single premiums, which more than doubled to £1.8m. The company's new pension plan Transplan designed for the job-mover met with considerable success and was largely responsible for the good figures. New pension annual premiums rose only 2 per cent to £1.1m.

The Home Service division saw Ordinary Branch annual premiums improve marginally to £1.6m and Industrial Branch premiums rise slightly from £3.4m to £3.5m.

## Substantial increase by Merrydown

Attributable net profits of Merrydown Wine, cider, apple and fruit wine producer, have shown a substantial improvement from £29,093 to £257,720 for the year to March 31, 1982. Turnover increased to £5.04m, against £4.33m, in spite of last year's poor apple crop.

Progress has continued in the first four months of this year and apple harvest prospects are reasonably good, the board states.

The dividend of the company, which is quoted on the unlisted securities market, is being trebled from 1p to 3p net. Tax charge was £22,325 (£10,184) and basic earnings per 25p share climbed from 1.38p to 17.52p.

## Readicut sales slightly higher in first quarter

The high level of activity in certain areas during the fourth quarter last year did not flow through into 1982/83, Mr Paul Croset, chairman of Readicut International, told the annual meeting.

He said he was forced to repeat the familiar story of immediate past years that any improvement in performance would be the result of economies and increase in efficiency and, because of the group's seasonal trading pattern, would not occur until the second half.

However, he said sales in the first quarter to June 30 were slightly ahead of those for the corresponding period last year. There were higher sales by mail-order handicrafts, yarns and fibres, household textiles and carpets. Overall, the group had maintained its market share in all sectors.

Any revival, he added, would be heavily weighted towards the first quarter of 1983—"hopefully no later." In the meantime, he said, all efforts continued to be directed towards improving the company's competitiveness at home and abroad, and equating manufacturing capacity with changes in market demand.

## DOM HOLDINGS

Mr D. O. McIntyre, the chairman of Dom Holdings, waived 99.9 per cent of his 1980-81 dividend entitlement in respect of 3,873,880 shares. In yesterday's report, the waiver, amounting to £165,558 net, was incorrectly stated as being in respect of the year ended March 31, 1982.

## Beechwood Construction hopeful of improvement

The strength and resources of the civil engineering, plant and service companies of Beechwood Construction (Holdings) had been mainly responsible for its recovery, and the board was hopeful that this recovery could be sustained, Mr John Downing, the chairman, said at the annual meeting.

Over the past two years, the board had been actively reviewing group policies and objectives and would continue to do so. As a result, the chairman was confident that Beechwood would emerge as a more efficient and profitable company. The long-term aim, he said, was to achieve consistent growth and to reflect this in a dividend policy of increasing benefit to shareholders.

For the year to end March 1982, Beechwood's profits recovered from £7,000 to £200,000, on turnover virtually unchanged at £10.9m.

Mr Downing reported that contracts worth over £2m were obtained in May and June by the civil engineering division.

Subject to the consent of the Department of Trade, the name of the company is to be changed to Beechwood Group plc.

## Independent Inv. ahead to £392,000

Pre-tax income for the Independent Investment Company in the year to June 30 1982 was up from £301,000 to £392,000, after a rise in interest and expenses from £365,000 to £471,000.

The company, which invests principally in techoology related companies, is maintaining the net dividend at 0.5p per 25p share for the year. Despite the poor stock market performance of technology stocks, particularly in the U.S., Independent's net earnings per share lifted to 0.77p (0.52p).

Net asset value per share is stated slightly higher at 149.88p (149.57p). Tax for the year took £139,000 (£177,000).

## Bank Leumi (UK) maintains interim payout

FOR THE six months to June 30, 1982, the directors of Bank Leumi (UK) has declared an unchanged interim dividend of 3.15p. Last year a total of 10.15p was paid on each £1 share.

The directors report satisfactory growth in all areas of business, and earnings are at a higher level than for the comparable period of 1981.

## Downs Surgical improves in first quarter

Downs Surgical's first quarter figures are much better than last year's and company is ahead of its budgets, Mr N. G. Shove, chairman, said yesterday.

He said company would continue to meet and pass targets this year as it returns to profitability.

He remained confident in his industry and thought it was entering improved economic period.

# Imps gets £25m for poultry side

IMPERIAL GROUP, the leading tobacco, food and brewing company, is selling its last remaining poultry interests to ConAgra Inc., the fourth biggest company in the U.S. chilled and packed chicken market, for $44m (£25m), it was revealed yesterday.

Under the terms of the deal, ConAgra Inc. is to form a new company—Country Poultry Inc.—which will purchase the loss-making Country Pride Foods from Imperial Foods.

The basic consideration for the shares and net intra-group balances of Country Pride, a U.S. subsidiary of Imperial, is $39m and will be paid in cash on completion.

In addition, any increase in the net assets of Country Pride between October 31, 1981 and May 28, 1982 (estimated to be in the order of $5m) will be added to the cash consideration payable by ConAgra.

Imperial Foods will then apply $18m of the consideration received in subscribing for 50 per cent of the equity in the new company.

ConAgra and Imperial Foods will each be granted certain options. ConAgra will be granted the first option to purchase Imperial Foods' interest in the new company for $18m. This option will last for a period of five years.

If ConAgra fails to exercise its option, Imperial Foods will have the option either to acquire ConAgra's interest in the new company or to require ConAgra to purchase Imperial Foods' shares in the new company for $18m. During the option period, Imperial Foods will also effectively receive fees and other income at an annual rate of approximately $2.7m.

Imperial Group said yesterday that the sale was in accordance with its policy on concentrating its food manufacturing activities in those of its businesses in which it has already developed considerable brand strengths. The sale follows the disposal of its UK poultry, eggs and meat trading interests, announced in May.

The proceeds of the sale, which was first announced in April, will reduce Imperial's short-term borrowings.

### HUNTING GIBSON/ CHARLES BOOTH

ACCEPTANCES OF each of the offers by Hunting Gibson for Charles Booth have now been received in respect of 1,909,887 of existing issued, fully paid ordinary capital (75 per cent).

Included in such acceptances are those given by the directors of Booth and their wives, pursuant to irrevocable undertakings referred to in the offer document.

Accordingly each of such offers is now unconditional as to acceptances, but remain subject to other conditions stated in the offer document.

The offers will not be open for acceptance beyond 3 pm on August 10, 1982.

# Menzies pays £3.9m for book supplier

John Menzies, the Edinburgh-based newspaper distributor and High Street retailer, has paid £3.88m in cash for Collier Macmillan Distributors Services, a supplier of books to public libraries.

Collier is one of the country's larger library suppliers with a geographical coverage based south of the Midlands. To date Menzies has been supplying libaries through its retail chain but in a small way and this acquisition represents a significant step into a new area for the Scottish company.

Mr D. MacDonald, Menzies' managing director, said yesterday that his company was keen to develop in this sector of book supplies and this acquisition was a chance to "get our feet wet."

Collier's profits have been on a steadily rising trend and in 1981 amounted to £841,000 before exceptional items. Mr MacDonald said that profits should show further, though modest, growth this year.

The value of Collier's assets is stated at £2.2m. It is Menzies' policy to write-off goodwill as it is incurred.

### HADEN £0.8M ACQUISITION

Haden, the engineering design and contracting group, has acquired Morgan-Moore Engineering, an industrial engineering company, for £836,000 cash.

# Johnson attack condemns 'crazy' bid from Sunlight

ATTACKING what it describes as a "crazy deal," Johnson Group Cleaners has finally published its formal rejection of the £30m equity, convertible loan stock and cash bid from Sunlight Service Group before the offer reaches its first closing date on Thursday.

The structure of the offer is derided as "bizarre" and the defence concentrates on a debunking of what, even in its most favourable light, can only be seen as Sunlight's audacious reverse takeover bid. Johnson, guided by its financial advisors, S. G. Warburg, points to the considerable descrepancies in revenues, earnings and assets between the bidder and its target. Johnson also attempts to highlight the dangers of an estimated 268 per cent gearing ratio, post acquisition, which falls to 108 per cent after 1985 when the loan stock is converted.

Johnson reasons that Sunlight could only reduce that level of debt by an "asset stripping" operation. The defence does not categorise what it calls its non-trading portfolio, the former dry-cleaning premises leased in the course of a continuous appraisal of trading assets to confectioners, newsagents, and tobacconists. However it claims that Sunlight would be forced to make more than the limited number of disposals already referred to by the predator.

The defence believes that the merger could produce more than 900 redundancies in the combined group. Mr. John Crockett, Johnson chairman, calculates that job losses could affect exactly 949 people.

The closure of garment rental works in Perth, Bootle, Birmingham, plants in Yorkshire, and a London closure would add up to 486 lost jobs. Closure of head and branch offices would eliminate a further 293 jobs while the disposal of 30 shops, which Johnson stresses could be considerably higher, would cut the payroll by 170 more people.

The Office of Fair Trading is expected to have completed its report on the bid proposals for the Secretary of State by the middle of next week.

# Jersey company in cash offer for ATMN Holdings

Dove Holdings, a privately owned investment company registered in Jersey, has purchased from the Anglo-Oriental and General Investment Trust its holding of 2,453,179 ordinary 1p shares in Amalgamated Tin Mines of Nigeria (Holdings) at a price of 12p per share. The acquisition represents 31.45 per cent of the issued ordinary capital of ATMN Holdings.

In accordance with the requirements of the Takeover Panel, Dove is making a cash offer for all the remaining ordinary shares of ATMN Holdings at a price of 12p per share. Prior to the acquisition of the holding, Dove held no ordinary shares in the company.

All the present directors of ATMN Holdings have confirmed their intention to resign. Such resignations will take effect at the earlier of the date on which the offer becomes unconditional or the first closing date of the offer.

The new board of directors, who will be appointed on that date, will initially comprise G. J. Blyth, G. E. Curb (a U.S. citizen), R. A. Good, A. M. Jepson and A. Traill.

Dove has informed ATMN Holdings that it wishes to maintain the listing of that company's shares on the Stock Exchange, and accordingly Shaw and Co., Dove's financial advisers, have made arrangements to place any excess shares in respect of which acceptances are received so that Dove's holding in ATMN Holdings will not exceed 75 per cent of the issued share capital.

Following the completion of the offer, it is proposed that ATMN Holdings will make a fully underwritten rights issue of new ordinary shares to raise additional cash resources.

### ECONOMIC CONSULTANTS

Price Waterhouse announces that it has purchased the capital of Economic Consultants. Economic Consultants was founded in 1969 by Mr Bill Luttrell who, with his co-directors Mr Geoffrey Cox and Mr John Fullbrook, will remain with the company.

### BURNETT & HALLAMSHIRE

Burnett and Hallamshire Holdings says it has issued and allotted subject to listing by the Stock Exchange, 244,444 ordinary shares of 25p each to Mr D. F. and Mrs S. McErlain in settlement of deferred consideration of £2.75m arising out of the acquisition on August 28 1981 of McErlain (Plant).

The deferred consideration became payable on the warranted pre-tax profit of £3.2m for the 15 months ended March 31 1982 being exceeded, and values the Burnett and Hallamshire ordinary shares now issued at £11.25 each.

The ordinary shares now issued are credited as fully paid and rank pari passu in all respects with the existing ordinary, except that they do not rank in respect of the final dividend for the year to March 31 1982 which is due to be paid on August 6.

# Lookers has 43.9% of Braid Group

Lookers, the Manchester vehicle distributor, yesterday announced the purchase of a further 40,000 shares of Braid Group, taking its holding, together with acceptance of 2.9 per cent of the equity, to 2.635m shares, or 43.9 per cent of the equity.

Lookers yesterday attacked Braid for omitting in its most recent statement, its lossmaking figures for the first three months of its current financial year. Lookers added that the Braid results for the nine months to June 1982 show a loss of £267,000 and that it was firmly of the opinion that Braid would incur net losses for the third successive financial year.

Yesterday Mr Stanley Warren, Braid director, said: "We have never denied that we made a loss in the first three months of the financial year, nor have we ever claimed that we would show a profit for the financial year to September 1982. In our most recent statement we were pointing out that the first six months of the calendar year 1982 had been profitable, compared with a loss in the comparable period."

### ST GEORGE'S GROUP

In connection with a recommended offer by Spring Grove, shareholders of St George's Group yesterday passed a special resolution to permit a capital reorganisation which will reduce the expenses of the acquisition.

They also passed two ordinary resolutions concerning compensation to a director for the loss of office and the sale of certain assets to directors of the company.



# MINING NEWS

# Jabiluka gets go-ahead

BY KENNETH MARSTON, MINING EDITOR

AT LONG last, the Australian Government has given the final approval for the opening up of the big Jabiluka uranium deposit in the Northern Territory of partners Pancontinental Mining (65 per cent), and Getty Oil (35 per cent).

The initial discovery was made over a decade ago during which the uranium market has gone from boom to bust. Had it not been for the delays brought about by procrastination over environmental and political issues, the mine would have been in production long ago. But it is still capable of making high earnings.

In the next few days the state government is expected to grant an initial 42-year lease to the joint venture partners, which could pave the way for a A$300m (£174m) per year boost to the country's flagging export drive, reports Michael Thompson-Noel from Sydney.

In the view of the Deputy Prime Minister, Mr Doug Anthony, who is also the federal Minister for Trade and Resources, agreement to construct the mine meant that Australia was "once more on the map as a major world uranium producer."

Depending on market forces and financial arrangements, the Jabiluka partners hope to start construction in 1983, and to have the mine in operation by the end of 1986.

According to Mr Anthony: "Jabiluka is a world-ranking uranium deposit with total estimated reserves of more than 200,000 tonnes of uranium oxide." In its initial stages, output from the mine is expected to be 4,500 tonnes a year, with an annual export sales potential of A$300m.

Uranium, said Mr Anthony, was an export trade that was growing rapidly at a time when other major Australian export trades were not faring so well. He agreed that the current world market for uranium was "slack," but said its long-term future was assured.

If nothing else, Jabiluka may go a short way to restoring the government's confidence. The latter is coming under increasingly bitter attack for its economic policies, although there have been signs recently that it may be considering a U-turn, or half a turn at least, in its budget on August 17.

In London yesterday, shares of Pancontinental rose 4p to

# Olympic Dam: 2bn tonnes ore

WHENEVER THE exciting Olympic Dam copper-uranium-gold project of Western Mining and BP Australia at Roxby Downs in South Australia is mentioned, the description of "huge," or "massive," or "potentially the greatest mine in the world" is employed.

These comments are based on the drilling results announced in Western Mining's regular quarterly reports. The latest of these goes a step further in giving an estimate of the mineralisation so far drilled on a 200-metre grid.

It is an awesome 2bn tonnes, starting at a depth of about 350 metres.

This breathtaking figure is accompanied by the news that work to date has shown the Olympic Dam mineralisation to extend over an area of as much as seven kilometres by four kilometres. The suggestion, therefore, is that the massive deposit could be even greater than 2bn tonnes.

The average metal grades so far established are 1.6 per cent copper, 0.6 kilogrammes per tonne uranium and 0.6 grammes per tonne gold.

Close spaced drilling over part of the area has so far indicated significant tonnages of higher grade material. Detailed drilling to establish a proven ore reserves is thus in progress over a part of the higher grade area near the Whenan exploration shaft.

After a last minute hitch the Roxby Down Indenture Agreement Act was given assent in the South Australian State Parliament on June 21. This cleared the way for completion of the feasibility study and eventual mining operations.

Under the agreement the study has to be completed by December, 1984, with a decision to proceed to mining required within three years of that date. The partners have now spent some A$50m (£29m) on the huge project and are estimates of its total cost range up to A$1.5bn.

# The hard struggle continues

THE TIME of further quarterly losses sustained by the world's major mining companies as they struggle with weak metal markets continues and there appears to be little prospect of much improvement for the current quarter, at least.

Phelps Dodge, the second largest copper producer in the U.S., reports a second quarter loss of $19.4m (£11m) which makes a deficit for the half year of $38.5m, equal to $1.88 per share. This compares with a profit of $54.3m in the first half of 1981.

The Phelps loss would have been some $11.2m greater had it not been for liquidation of surplus stocks.

The company's interests include a 49 per cent stake in the Black Mountain base-metal operation in South Africa's remote north-west Cape, the remaining 51 per cent being held by the Consolidated Gold Fields group.

Black Mountain made a loss of R1.25m (£626,000) in the half-year and is reducing production because of the weakness of the market for lead concentrates.

Canada's diversified Cominco has suffered an operating loss of C$14.4m (£6.5m) in the first half compared with a net profit of C$37.5m a year ago. However, the latest loss was before a gain of C$17m from the sale of oil and gas properties which leaves a net profit of C$2.6m. machine 41 — 7½ on 8

Lower prices for copper, molybdenum and silver have more than offset the benefits of higher production in the case of the Rio Tinto-Zinc group's Canadian Lornex Mining. A half-year loss of C$4.9m is reported which compares with net earnings of C$16.1m in the same period of 1981.

The leading U.S. gold producer, Homestake Mining, is still able to report profits, but they are well down in line with the bullion price received which averaged $353 per ounce in the first half of this year compared with $486 in the same period of 1981. As a result net income for the latest period has fallen to $8.1m from $22.2m a year ago.

Finally, UC Investments, the South African Gencor group holding company, reports a reduced net profit of R14.2m (£7.1m) for the first half year compares with R18.2m a year ago and reflects the effects on dividend income of lower gold and platinum prices.

The company expects no significant upturn in the prices of these metals in the current half year and therefore forecasts "markedly lower" investment income for the full year. The interim dividend is reduced to 35 cents (17.5p) from 45 cents. Last year's final was 115 cents.



## LONDON TRADED OPTIONS

July 26 Total Contracts 3,188 Calls 2,791 Puts 397

| Option | Ex'rcise price | July Closing offer | July Vol. | Oct. Closing offer | Oct. Vol. | Jan. Closing offer | Jan. Vol. | Equity close |
|---|---|---|---|---|---|---|---|---|
| BP (c) | 260 | 16 | 40 | 32 | 10 | 38 | — | 274p |
| BP (c) | 280 | 2 | 37 | 17 | 27 | 25 | — | " |
| BP (c) | 300 | ¼ | — | 10 | 6 | 16 | 1 | " |
| BP (c) | 330 | ¼ | — | 5 | — | 8 | 8 | " |
| BP (p) | 260 | 2 | — | 8 | — | 18 | 3 | " |
| BP (p) | 280 | 10 | 49 | 20 | — | 26 | — | " |
| BP (p) | 330 | 58 | — | 64 | — | 64 | 8 | " |
| CU (c) | 130 | 16 | 19 | 21 | 10 | 25 | — | 145p |
| CU (c) | 140 | 5½ | 44 | 15 | 177 | 16 | 8 | " |
| Cons. Gld (c) | 360 | 52 | 1 | 60 | 2 | 70 | — | 400p |
| Cons. Gld (c) | 390 | 23 | 6 | 33 | 58 | 45 | — | " |
| Cons. Gld (c) | 420 | 4 | — | 14 | 22 | 24 | — | " |
| Cons. Gld (p) | 360 | 1 | 15 | 10 | 1 | 18 | — | " |
| Cons. Gld (p) | 390 | 2 | — | 20 | 7 | 30 | — | " |
| Cons. Gld (p) | 420 | 14 | — | 34 | — | 47 | 1 | " |
| Ctlds. (c) | 50 | 33 | 2 | — | — | — | — | 82p |
| Ctlds. (c) | 70 | 13 | 4 | 18 | — | 22 | — | " |
| Ctlds. (c) | 80 | 3 | 131 | 9 | 16 | 15 | — | " |
| Ctlds. (c) | 90 | 1 | — | 4 | 9 | 6 | 23 | " |
| GEC (c) | 800 | 510 | 8 | 330 | — | 355 | — | 911p |
| GEC (c) | 850 | 260 | 1 | 280 | — | 303 | — | " |
| GEC (c) | 900 | 210 | — | 230 | 1 | 248 | — | " |
| GEC (c) | 950 | 160 | 5 | 180 | 5 | 198 | — | " |
| GEC (c) | 1000 | 110 | — | 130 | 7 | 138 | 8 | " |
| GEC (c) | 1100 | 16 | 41 | 63 | 20 | 86 | 2 | " |
| Gr'd Met. (c) | 174 | 55 | 5 | 58 | — | — | — | 228p |
| Gr'd Met. (c) | 194 | 35 | 21 | 38 | — | 73 | — | " |
| Gr'd Met. (c) | 200 | 57 | 5 | 63 | — | 67 | — | " |
| Gr'd Met. (c) | 214 | 43 | 658 | 49 | 2 | 55 | — | " |
| Gr'd Met. (c) | 220 | 37 | 51 | 41 | 10 | 47 | — | " |
| Gr'd Met. (c) | 240 | 17 | — | 28 | 40 | 30 | 2 | " |
| Gr'd Met. (p) | 240 | 2 | — | 7 | — | 10 | 1 | " |
| Gr'd Met. (p) | 260 | — | — | 14 | 28 | 17 | 2 | " |
| ICI (c) | 300 | 12 | 11 | 24 | 11 | 36 | 10 | 310p |
| ICI (c) | 330 | 1 | — | 8 | 45 | 18 | 3 | " |
| ICI (p) | 300 | 1 | 16 | 10 | 4 | 15 | — | " |
| ICI (p) | 330 | 20 | — | 28 | 11 | 24 | — | " |
| ICI (p) | 360 | 50 | — | 58 | 10 | — | — | " |
| Land Sec. (c) | 260 | 35 | — | 43 | 5 | 52 | — | 294p |
| Land Sec. (c) | 280 | 13 | 10 | 26 | 8 | 37 | 1 | " |
| Land Sec. (c) | 300 | 2 | 41 | 17 | 56 | 24 | 5 | " |
| Land Sec. (c) | 330 | ½ | — | 6 | 34 | — | — | " |
| Mks & Sp. (c) | 140 | 31 | 2 | 56 | 10 | 38 | 10 | 168p |
| Mks & Sp. (c) | 160 | 11 | 52 | 16 | 51 | 21 | 2 | " |
| Mks & Sp. (c) | 180 | 1 | — | 7 | 74 | 2 | 35 | " |
| Shell (c) | 360 | 46 | 1 | 54 | — | 60 | — | 404p |
| Shell (c) | 390 | 15 | 42 | 28 | 8 | 36 | 17 | " |
| Shell (c) | 420 | 1 | — | 16 | 1 | 23 | 1 | " |
| Shell (p) | 390 | 8 | 20 | 12 | 2 | 18 | — | " |
| Shell (p) | 420 | 16 | 4 | 24 | 5 | 34 | — | " |
| | | August | | November | | February | | |
| Barclays (c) | 383 | 23 | 1 | 33 | — | — | — | 400p |
| Barclays (c) | 390 | 12 | 11 | 30 | 8 | 43 | — | " |
| Barclays (c) | 417 | 5 | 20 | 11 | 5 | — | — | " |
| Barclays (p) | 365 | 5 | 11 | 16 | — | 25 | — | " |
| Barclays (p) | 390 | 12 | — | 17 | — | 25 | 3 | " |
| Barclays (p) | 417 | 22 | 4 | 32 | 4 | — | — | " |
| Imperial (c) | 90 | 6½ | 86 | 10½ | 3 | 15 | 4 | 98p |
| Imperial (c) | 100 | 1½ | 47 | 5 | 148 | 6½ | 10 | " |
| Imperial (c) | 110 | ¼ | — | 6½ | — | 4 | 10 | " |
| Imperial (p) | 100 | 5½ | — | 7½ | 6 | 6½ | — | " |
| Imperial (p) | 110 | 13½ | 3 | 15½ | 6 | 16½ | — | " |
| Lasmo (c) | 300 | 15 | 2 | 34 | 5 | 53 | 1 | 302p |
| Lasmo (c) | 330 | 4 | — | 16 | 3 | 34 | — | " |
| Lasmo (c) | 360 | 1 | 4 | 8 | 5 | 19 | — | " |
| Lonrho (c) | 70 | 17 | — | 16 | 11 | 12 | — | 86p |
| Lonrho (c) | 80 | 6 | 53 | 11 | 57 | 13 | 22 | " |
| Lonrho (c) | 90 | 5 | 185 | 5 | 99 | 6½ | 10 | " |
| Lonrho (p) | 80 | 2 | 80 | 5 | — | 4 | 5 | " |
| Lonrho (p) | 90 | 7 | — | 9 | 10 | 10 | 10 | " |
| P & O (c) | 150 | 30 | 2 | 55 | — | — | — | 158p |
| P & O (c) | 140 | 20 | 5 | 23 | 9 | 28 | — | " |
| P & O (c) | 160 | 6 | 23 | 12 | — | 15 | 5 | " |
| Racal (c) | 390 | 105 | — | 120 | — | 135 | 1 | 493p |
| Racal (c) | 420 | 75 | 8 | 82 | — | 115 | — | " |
| Racal (c) | 460 | 35 | 77 | 53 | 1 | 70 | — | " |
| Racal (c) | 500 | 12 | 36 | 26 | 1 | 38 | — | " |
| Racal (p) | 420 | 1 | 2 | 6 | — | 14 | — | " |
| Racal (p) | 460 | 3 | 4 | 11 | 8 | 16 | 2 | " |
| Racal (p) | 500 | 15 | — | 28 | 13 | 35 | — | " |
| RTZ (c) | 360 | 60 | 1 | 70 | — | 77 | — | 417p |
| RTZ (c) | 390 | 30 | 10 | 43 | — | 53 | — | " |
| RTZ (c) | 420 | 10 | 8 | 27 | 8 | 37 | 1 | " |
| RTZ (c) | 460 | 5 | 10 | 12 | 2 | 20 | 40 | " |
| RTZ (p) | 360 | 3 | — | 7 | — | 16 | 40 | " |
| RTZ (p) | 390 | 6 | — | 20 | — | 35 | 2 | " |
| RTZ (p) | 420 | 17 | — | 50 | 1 | 40 | — | " |
| Vaal Rfs. (c) | 45 | 7 | 4 | 8 | — | 9 | 1 | $51 |
| Vaal Rfs. (c) | 50 | 2¾ | 4 | 4¼ | — | 6 | — | " |
| Vaal Rfs. (p) | 40 | ½ | — | 2¼ | 10 | 3¼ | — | " |
| Vaal Rfs. (p) | 45 | ¾ | 5 | 3¾ | — | 4½ | 1 | " |

C=Call P=Put

## EUROPEAN OPTIONS EXCHANGE

| Series | | Aug. Vol. | Aug. Last | Nov. Vol. | Nov. Last | Feb. Vol. | Feb. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $325 | 2 | 34 A | 7 | — | 6 | 59 | $352.75 |
| GOLD C | $350 | 16 | 16 | 37 | 31 | [illegible] | [illegible] | " |
| GOLD C | $375 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD C | $400 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $300 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $325 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $350 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| GOLD P | $375 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| 12¼ NL 81 87-91 | | | | | | | | |
| C | F.102.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.113 |
| C | F.110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| C | F.115 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| P | F.110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| P | F.112.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| 10¼ NL 80 86-95 | | | | | | | | |
| C | F.92.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.101.70 |
| 11¼ NL 82 89-92 | | | | | | | | |
| C | F.102.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.103.30 |
| C | F.105 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| C | F.107.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| P | F.105 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| | | Oct. | | Jan. | | Apr. | | |
| ABN C | F.300 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.278 |
| ABN C | F.360 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| AKZO C | F.25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.26 |
| AKZO P | F.27.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| AMRO C | F.45 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.44.40 |
| AMRO P | F.48 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| HEIN C | F.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.60.20 |
| HEIN C | F.60 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| HEIN C | F.70 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| HEIN P | F.60 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| HOOG C | F.10 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.10 |
| IBM C | $70 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | $64 |
| KLM C | F.80 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.84.30 |
| KLM C | F.90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM C | F.100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM C | F.110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM C | F.120 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM P | F.90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM P | F.100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| KLM P | F.110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| NEDL C | F.110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NEDL C | F.120 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| NEDL C | F.130 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| NEDL C | F.150 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| NEDL P | F.120 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| NATN C | F.120 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.113.50 |
| PHIL C | F.22.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.23.50 |
| PHIL C | F.25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| PHIL P | F.25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | " |
| RD C | F.80 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | F.85.80 |
| RD C | F.90 | 31 | 1.80 | 31 | 5.50 A | — | — | " |
| RD C | F.100 | — | — | — | 1.10 | — | — | " |
| RD P | F.80 | 13 | 1.40 | 10 | 2.50 | — | — | " |
| RD P | F.90 | 76 | 7.40 | — | — | — | — | " |
| UNIL C | F.150 | 30 | 8.50 | — | — | — | — | F.15[illegible] |
| UNIL C | F.160 | 14 | 2.50 | 16 | 5 | — | — | " |

TOTAL VOLUME IN CONTRACTS 1851

A=Asked B=Bid C=Call P=Put

## BASE LENDING RATES

| | |
|---|---|
| A.B.N. Bank | 12 % |
| Allied Irish Bank | 12 % |
| Amro Bank | 12 % |
| Henry Ansbacher | 12 % |
| Arbuthnot Latham | 12 % |
| Associates Cap. Corp. | 12 % |
| Banco de Bilbao | 12 % |
| BCCI | 12 % |
| Bank Hapoelim BM | 12 % |
| Bank of Ireland | 12 % |
| Bank Leumi (UK) plc | 12 % |
| Bank of Cyprus | 12 % |
| Bank Street Sec. Ltd. | 13½% |
| Bank of N.S.W. | 12 % |
| Banque Belge Ltd. | 12 % |
| Banque du Rhone | 12½% |
| Barclays Bank | 12 % |
| Beneficial Trust Ltd. | 13 % |
| Bremar Holdings Ltd. | 13 % |
| Brit. Bank of Mid. East | 12 % |
| ■ Brown Shipley | 12 % |
| Canada Perm't Trust | 12½% |
| Castle Court Trust Ltd. | 12½% |
| Cavendish G'ty T'st Ltd. | 13 % |
| Cayzer Ltd. | 12 % |
| Cedar Holdings | 12 % |
| ■ Charterhouse Japhet | 12 % |
| Choulartons | 13 % |
| Citibank Savings | ¶12½% |
| Clydesdale Bank | 12 % |
| C. E. Coates | 13 % |
| Comm. Bk. of Nr. East | 12 % |
| Consolidated Credits | 12½% |
| Co-operative Bank | *12 % |
| Corinthian Secs. | 12 % |
| The Cyprus Popular Bk. | 12 % |
| Duncan Lawrie | 12 % |
| Eagil Trust | 12 % |
| E.T. Trust | 12 % |
| Exeter Trust Ltd. | 13 % |
| First Nat. Fin. Corp. | 15 % |
| First Nat. Secs. Ltd. | 15 % |
| Robert Fraser | 13 % |
| Grindlays Bank | ‡12 % |
| ■ Guinness Mahon | 12 % |
| ■ Hambros Bank | 12 % |
| Hargrave Secs. Ltd. | 12 % |
| Heritable & Gen. Trust | 12 % |
| ■ Hill Samuel | §12 % |
| C. Hoare & Co. | †12 % |
| Hongkong & Shanghai | 12 % |
| Kingsnorth Trust Ltd. | 13 % |
| Knowsley & Co. Ltd. | 12½% |
| Lloyds Bank | 12 % |
| Mallinhall Limited | 12 % |
| Edward Manson & Co. | 13½% |
| Midland Bank | 12 % |
| ■ Samuel Montagu | 12 % |
| ■ Morgan Grenfell | 12 % |
| National Westminster | 12 % |
| Norwich General Trust | 12 % |
| P. S. Refson & Co. | 12 % |
| Roxburghe Guarantee | 12½% |
| Slavenburg's Bank | 12 % |
| Standard Chartered | ‖12 % |
| Trade Dev. Bank | 12 % |
| Trustee Savings Bank | 12 % |
| TCB | 12 % |
| United Bank of Kuwait | 12 % |
| Volkskas Intl. Ltd. | 12 % |
| Whiteaway Laidlaw | 12½% |
| Williams & Glyn's | 12 % |
| Wintrust Secs. Ltd. | 12 % |
| Yorkshire Bank | 12 % |

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1 month 9.25%. Short term £8,000/12 month 11.6%.
† 7-day deposits on sums of under £10,000 9%, £10,000 up to £50,000 9¼%, £50,000 and over 10½%.
‡ Call deposits £1,000 and over 9%.
‖ 21-day deposits over £1,000 10%.
§ Demand deposits 9%.
¶ Mortgage base rate.

# INTERNATIONAL COMPANIES and FINANCE

## Hughes Tool suffers steep reverse in second quarter

BY TERRY BYLAND IN NEW YORK

THE SHARP downturn in the U.S. oil and gas drilling industry which has already caused upsets for the U.S. banks has hit profits at Hughes Tool, the world's largest manufacturer of drilling bits with about 45 per cent of the U.S. market.

Earnings have fallen by 28 per cent to $45.4m, or 81 cents a share. However, shareholders were warned recently by the board that the fall in earnings might be as much as 35 per cent as profit margins came under pressure at B.J. Services, the well-pressure pumping subsidiary and at Hughes' drilling fluids business.

Sales for the second quarter fell modestly from $438.2m to $426.6m, in line with the company's predictions.

At the six-month point, Hughes, which has been obliged to lay off about 7.3 per cent of its worldwide workforce since the beginning of the year, and to cut back on capital spending, has recorded net earnings of $112.8m, or $2 a share, against $115.6m, or $2.06 a share a year ago. Sales for the half-year were $921.1m compared with $827.8m.

The setback in the second quarter had been widely expected. The onshore rig count on which much of the company's short term earnings depend, is at present showing a decline of 35 per cent over the level of last December.

Last year, Hughes earned $255.2m on revenues of $1.5bn. Forecasts for this year suggest that earnings will fall to around $225m, although revenues may show little change.

Hughes was obliged a few weeks ago to shelve a proposed increase in selling prices for drilling muds, and it is this kind of pressure on profit margins that is hurting earnings.

## McDonnell Douglas maintains profits

By Paul Taylor in New York

A LACK of orders for commercial aircraft, particularly DC-10 jets, has hit McDonnell Douglas, the U.S. aircraft manufacturer in the second quarter of 1982, although lower interest payments helped the company maintain profits.

The group made a profit of $49.8m or $1.27 a share in the quarter compared with $48.3m or $1.21 a share in the same period last year on sales down $10m to $1.87bn.

For the first six months of 1982 McDonnell made a profit of $98.2m or $2.5 a share on sales of $3.58bn compared with a profit of $89.6m or $2.34 a share on sales of $3.51bn in the first half of 1981.

Sales of commercial aircraft in the half year were 23 per cent lower mainly because only four DC-10 aircraft were delivered compared with 14 a year earlier. The company said it did not receive any firm orders for commercial aircraft in the latest quarter but that its overall order book of firm orders was up at the end of June with aircraft worth $9.21bn due to be built compared with $9.05bn worth a year earlier.

## Singer's earnings hit by tax and currency changes

BY OUR FINANCIAL STAFF

SINGER, the sewing machine group which also produces aerospace and marine electronic systems for government and industry and a wide range of consumer products, reports depressing second quarter returns. Profits have tumbled from last year's corresponding $6.7m to only $400,000; at the per share level—after allowing for preferred dividends—there is actually a loss of 5 cents for the latest period, against a 31 cents profit in 1981.

This leaves net earnings for the first half at only $5m, or 14 cents a share, against $20.9m or $1.06 a share last year.

Sales for the six months totalled $1.3bn against $1.38bn previously, with the second quarter providing $630.8m against $675.6m last time.

For the whole of 1981, Singer earned $38.4m or $1.93 a share on sales of $2.53bn.

Mr J. B. Flavin, Singer's chairman, attributed the poor second quarter showing to the effect of depressed markets on domestic and overseas consumer-oriented businesses. (In 1981, foreign operation accounted for about 41 per cent of sales and 56 per cent of profits.) Currency fluctuations, particularly the effect of the peso devaluation and price controls in Mexico, reduced profits from international operations.

### McDonald's ahead

McDonald's, the leading fast food group in the U.S., has reported net profits of $86.6m, or $2.16 a share, for the second quarter, against $76.2m, or $1.88, a year earlier. Revenues were $2.02bn against $1.83bn, writes our Financial Staff.

This brought the group's half-year net to $145.2m, or $3.62, on sales of $3.75bn, compared with $127.8m, or $3.16, on $3.43bn a year earlier.

David Lascelles examines the Federal Reserve's new approach to monetary control

## Mr Volcker takes a wider view

MR PAUL VOLCKER'S testimony to Congress on monetary policy last week did not contain any earth-shattering announcements: the broad message is that the Federal Reserve is sticking to its monetary targets, though it will be more tolerant of changes in the money supply, particularly sudden ones.

But some analysts on Wall Street have interpreted his comments as confirmation that the Fed may be watering down the more monetarist approach it adopted with such fanfare during the credit crisis of October 1979. If so, the Fed's handling of monetary policy could become more subjective—and a bit less predictable.

At that time, Mr Volcker announced that the Fed would stop trying to control interest rates. Instead, it would focus on the growth of key building blocks of credit like bank reserves and the money supply, and would allow interest rates to find their own levels.

Although this was not strictly monetarist, it owed a lot to the basic monetarist tenet that the money supply holds the key to growth and inflation. Certainly Wall Street's financial markets thought the Fed had gone monetarist. They began to react sharply to changes in the weekly money supply figures because they believed the Fed was doing so, too. For a while, this appeared to be the case. If M1 jumped or slumped, the Fed could be counted on to tighten or slacken before long.

But at the beginning of this year the Fed seemed to change its behaviour. M1 showed an enormous jump in January which sent the financial markets into a state of near panic. But the much-feared Fed crackdown never came. Instead, the monetary authorities seemed to be letting it ride. Sure enough, by February the money supply started edging down again. The same happened in April, and it is happening again now with the famous "July bulge."

For some months, Wall Street suspected that the Fed was taking a more relaxed view, and confirmation came in Mr Volcker's testimony. Not only did he say (as he has said before) that the Fed will allow M1 to grow at the upper end of its target range, but will also let it go over the top for a while in some cases.

He said: "We will look in a variety of factors in reaching that judgment, including such technical factors as the behaviour of different components of the money supply, the growth of credit, the behaviour of banking and financial markets, and more broadly, the behaviour of velocity and interest rates.

"I believe it is timely for me to add that, in these circumstances, the Federal Reserve should not be expected to respond, and does not plan to respond, strongly to various 'bulges' or for that matter 'valleys' in monetary growth that seem likely to be temporary."

Mr Paul Volcker, chairman of the Fed's board of governors.

In other words, the Fed will exercise greater discretion in assessing how much money should be pumped into the economy. Mr Volcker's remark that it will require "more than ordinary elements of flexibility and judgment" has been widely quoted.

These were welcome words for people on Wall Street who have criticised the Fed's monetarist strategy as being too "mechanistic." By the same token, they were a disappointment to the monetarists—though most of them say the famous October 1979 strategy was only a bastardised form of monetarism anyway, so that what Mr Volcker said last week makes no difference.

Mr Volcker hinted at some of the reasons for wanting to be more flexible. Some are technical. Deregulation of the U.S. banking system, and the growth of new savings instruments, have altered Americans' financial habits and shaken up money definitions. The recession has also encouraged people to keep larger bank balances than normal, ploughing more money into the M1 category. So the Fed could never be sure what the bulges and valleys in M1 really meant. These changes have also altered the "velocity" of money. During recessions, the economy normally turns money over less rapidly, but this time the velocity has shown a sharp drop which the Fed is still at a loss to explain.

The Fed has been worried for some time that its knee-jerk responses to the ups and downs of M1 were making interest rates even more volatile, and were possibly building into them an "anxiety premium" of as much as 2 per cent.

More broadly, however, the monetary policymakers must also be witnessing with mounting alarm the damage that high interest rates are causing: the record bankruptcy rate, the rise in unemployment to a post-war high, the scant evidence of economic recovery, to say nothing of the strains on the financial system caused by such dramatic events as Drysdale and Penn Square.

The message that comes from within the Fed itself is that there is no intention to signal any major change in tactics. But the Open Market Committee, which sets monetary policy, has widened the "frame" through which it observes the growth of the money supply so that it is now looking at a sweep of several months, rather than a few weeks.

Fortunately for the Fed, the money supply is currently growing on track after its wild gyrations earlier this year, making it easier to justify a more discretionary approach. Had M1 been far above its target level, Mr Volcker would have been forced to talk in much tougher terms last week.

The implication of this shift—which, analysts say with the benefit of hindsight has been going on for some time—seems to be twofold.

First, as the markets became convinced that Mr Volcker really will not crack down on every bulge and valley, the anxiety premium could melt away and further encourage the recent decline in interest rates. The weekly money supply statistics could also lose some of their terror.

On the other hand, Wall Street will also have to develop a feel for the more subjective yardsticks that the Fed is using to determine whether monetary growth is satisfactory, and this could create new uncertainties for a while.

## Olympia Brewing merger deal with Pabst dropped

BY OUR NEW YORK STAFF

PABST BREWING and Olympia Brewing have been forced to abandon a complicated merger deal designed to defeat the plans of a dissident investor to secure control of Pabst, the fourth largest brewer in the U.S., and strip out its assets.

Olympia, ranked seventh in the industry and the subject of an agreed takeover bid by Pabst, said yesterday that it was withdrawing its offer to purchase 4m shares, or about 49 per cent of Pabst, for about $100m.

The bid would have in effect represented an attempt by the merged group to buy its own shares in such a way as to lock out Mr Irwin Jacobs who already owns about 16 per cent of Pabst and has offered $22 a share for the rest.

Earlier this month a Federal district court blocked Mr Jacobs' attempt to gain control of Pabst, but at the same time also halted Olympia's purchase of Pabst shares. The Justice Department subsequently said it will challenge Mr Jacobs' attempt to gain control of Pabst on antitrust grounds.

Olympia said yesterday that its decision to abandon its offer for Pabst shares was due to, among other factors, the inability of Pabst to reach a final agreement with its bankers over tender offer financing agreements

## Alcan launches $75m Eurobond

BY ALAN FRIEDMAN

THE Aluminium Company of Canada (Alcan) was first off the mark yesterday morning with a $75m 10-year Eurodollar bond issue through Swiss Bank Corporation International. The Alcan bonds, which are Single A rated, carry a 15¾ per cent coupon and can be recalled by the borrower in 1989 at 102.

The 15¾ per cent coupon was viewed by the market as a realistic pricing, even generous. With the present cloud over Canadian names it seemed to many in the market that Alcan Canada was taking no chances.

Next to come to market was the Development Bank of Singapore with two deals—a $75m 15¼ per cent seven-year issue and an offer of 75,000 Eurobond warrants to buy a further $75m of seven-year paper, this time with a 14¾ per cent coupon. The warrants may be exercised for a life of four years, one month, a rather long period when compared with similar warrants.

Morgan Stanley, which is leading the issue along with Daiwa Europe, said last night the 15¼ per cent issue involved an interest-rate swap transaction. This means the borrower will take over a counterparty's floating rate debt and will initially borrow at a lower rate. The expected $50m 15-year 18¼ per cent bond for Telefonos de Mexico did not materialise, but may well be launched tomorrow. Credit Suisse First Boston and Merrill Lynch are lead-managers.

In secondary trading the Eurodollar market saw prices marked ½ to ¾ point lower, following the weakness of the New York bond market. New issues are being absorbed, but slowly. One trader commented: "Our undertone is firm despite today's mark-down."

In West Germany a DM 150m 10-year issue was launched for the Asian Development Bank through Deutsche Bank. The coupon is 9¼ per cent at a price of 99¾, yielding 9.37 per cent. This was seen as somewhat aggressive by the Euro D-mark sector, which marked its prices ½ point lower on average.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday August 18.

Closing prices on July 26

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Average price changes... On day 0 on week +0¼

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## N. AMERICAN QUARTERLIES

| ALLEGHENY INTERNATIONAL | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 697.4m | 435.6m |
| Net profits | 13.34m | 22.73m |
| Net per share | 0.20 | 2.30 |
| Six months | | |
| Revenue | 1.53bn | 922.9m |
| Net profits | 44.87m | 42.48m |
| Net per share | 2.09 | 4.65 |

| AMERICAN BRANDS | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 1.51bn | 1.49bn |
| Net profits | 89.2m | 82.3m |
| Net per share | 1.53 | 1.41 |
| Six months | | |
| Revenue | 3.21bn | 3.22bn |
| Net profits | 184.0m | 195.7m |
| Net per share | 3.18 | 3.39 |

| AMERICAN BROADCASTING | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 684.8m | 612.3m |
| Net profits | 59.3m | 55.63m |
| Net per share | 2.06 | 1.96 |
| Six months | | |
| Revenue | 1.3bn | 1.16bn |
| Net profits | 83.47m | 98.4m |
| Net per share | 2.90 | 2.41 |

| AMERICAN CAN | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 1.17bn | 1.19bn |
| Net profits | 11.3m | 25.1m |
| Net per share | 0.53 | 1.25 |
| Six months | | |
| Revenue | 2.26bn | 2.33bn |
| Net profits | 25.0m | 43.1m |
| Net per share | 1.24 | 2.13 |

| CELANESE CORPORATION | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 788.0m | 1.0bn |
| Net profits | 18.0m | 40.0m |
| Net per share | 1.07 | 2.50 |
| Six months | | |
| Revenue | 1.64bn | 1.91bn |
| Net profits | 38.0m | 76.0m |
| Net per share | 2.32 | 4.75 |

| CONTINENTAL CORPORATION | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 850.0m | 829.8m |
| Net profits | 18.5m | 31.6m |
| Net per share | 0.38 | 0.62 |
| Six months | | |
| Revenue | 1.7bn | 1.6bn |
| Net profits | 57.4m | 90.7m |
| Net per share | 1.12 | 1.78 |

| R. R. DONNELLEY | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 314.2m | 267.0m |
| Net profits | 17.47m | 16.26m |
| Net per share | 0.92 | 0.86 |
| Six months | | |
| Revenue | 638.5m | 544.1m |
| Net profits | 31.64m | 29.33m |
| Net per share | 1.67 | 1.56 |

| INGERSOLL-RAND | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 738.4m | 823.2m |
| Net profits | 15.5m | 40.1m |
| Net per share | 0.76 | 2.01 |
| Six months | | |
| Revenue | 1.5bn | 1.58bn |
| Net profits | 51.4m | 77.3m |
| Net per share | 2.45 | 3.87 |

| INTERLAKE | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 198.2m | 267.2m |
| Net profits | 1.04m | 12.43m |
| Net per share | 0.17 | 2.03 |
| Six months | | |
| Revenue | 403.9m | 534.3m |
| Net profits | 3.87m | 22.59m |
| Net per share | 0.62 | 3.70 |

| KIDDE INC. | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 698.1m | 723.3m |
| Net profits | 25.99m | 25.68m |
| Net per share | 1.25 | 1.28 |
| Six months | | |
| Revenue | 1.36bn | 1.37bn |
| Net profits | 48.6m | 45.7m |
| Net per share | 2.24 | 2.24 |

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# INTERNATIONAL COMPANIES and FINANCE



## Dresdner Bank recovers as interest margins widen

BY KEVIN DONE IN FRANKFURT

Dr Hans Friderichs

DRESDNER BANK, the second largest bank in West Germany, has achieved a recovery in operating earnings for the first half of 1982 while maintaining its overall business volume.

Dresdner's profitability has been under heavy pressure for the last two years. Its dividend fell to DM 4 per share in 1981 from DM 6 in 1980 and DM 9 in 1979. But the bank managed to widen its interest margin to 2.5 per cent in the first six months of 1982 compared with a six-month average for 1981 of 2.2 per cent.

The bank's commission earnings rose by 6.2 per cent or DM 19.8m to DM 339.3m ($141.4m), while its interest earnings rose by 14.8 per cent or DM 127.7m to DM 989.7m. The bank's average business volume rose only marginally by 1 per cent.

Against the overall increase of 12.5 per cent in interest and commission earnings Dresdner succeeded in holding the rise in personnel and material costs to 3.6 per cent or DM 33m to DM 937m.

The bank boosted its partial operating profit by 41.4 per cent to DM 392m. This result excludes important year-end charges and earnings such as pension provisions, write-downs on securities and earnings from own account trading.

Dresdner clearly enjoyed a profitable half year in its own account trading, particularly in securities trading, and claimed yesterday in a letter to shareholders that it had achieved a best ever half year operating profit.

This interim result fails to include important year-end items such as write-downs on securities and loans, however. Dresdner is heavily exposed to particular risks such as Poland and AEG-Telefunken.

It has the fourth highest exposure of any of the German banks to Poland and is leading negotiations with Warsaw for the West German banks on the rescheduling of Polish debt.

## First half loss of SwFr 71m at Swissair

By John Wicks in Zurich

SWISSAIR, the Swiss national airline, reports a net loss of SwFr 71m ($35.1m) for the first half of this year, following a deficit on flight operations in the region of SwFr 100m. The net loss compares with the SwFr 10.5m recorded in the first half of 1981.

Although the first six months of any year are less profitable than the second half, it seems unlikely that Swissair will this year get anywhere near the 1981 earnings of SwFr 54.3m—a result inflated by aircraft sales.

Transport volume of the airline showed a slight decline in the six months, having risen by 7.2 per cent in 1981. This was due in part to what is described as a "massive drop" in business on the North and South Atlantic routes. At the same time, costs rose faster than income.

Swissair says a broad-based savings programme is planned which will affect both personnel and the fleet. This is understood to include a reduction of staff through a ban on recruitment until at least November.

Swissair intends to sell or lease one of its fleet of 12 DC-9-51 aircraft or, alternatively, lease out one of its 14 DC-9-81 planes. The airline denies reports that it may sell one of the DC-9-81s.

Apart from this, Swissair is to continue divestment of older aircraft in its fleet. The two oldest DC-10-30s, which have already been replaced by extended-range aircraft of the same type, are to be sold, as are four DC-9-32s, which next March will be succeeded by the Airbus A310.

Swissair is to maintain its investment programme, which calls for the expenditure of some SwFr 2.6bn ($1.3bn) by 1986 and is centred on the purchase of 10 Airbuses and five Boeing 747s.

## Rise in Asia-Pacific syndicated lending

BY ROBERT COTTRELL IN HONG KONG

ASIA-PACIFIC region borrowers raised US$11.06bn in syndicated credits in the first half of 1982, up US$1.65bn on the first half of 1981, according to figures compiled by the regional financial publication, Asian Banking.

Japanese and Canadian banks made a strong showing among the lenders, while government and government-affiliated bodies accounted for 67 per cent of borrowings, against 39 per cent.

Taking in international bond issues, floating rate notes and U.S. dollar denominated certificates of deposit, regional borrowings between late December and June totalled $18bn.

The region's leading seller of syndicated credits was Citicorp, which lead-managed a total of $632.5m in loans. Second was Bank of Tokyo, with $592m. Three of the top five lead-managers were Japanese banks — none of which figured in last year's top five. The other top five bank, Chase Manhattan, slipped from last year's number one position to number four. Five Canadian banks improved their market share, including a rise from ninth to seventh position for Bank of Montreal.

Among buyers of syndicated credits, borrowers from Australia and South Korea retained the first and second positions, taking $3.1bn and $2bn respectively. Australian borrowers alone accounted for almost 30 per cent of the market.

Trends discernible during the period include the flowering of floating rate notes, with 10 issues totalling $1.31bn, redecting, suggests Asian Banking, a growing sophistication among regional borrowers. The energy sector increased its borrowing, with 38 per cent of syndicated credits against 28 per cent at the same stage last year, while mining and transport borrowing shrank. Property and construction lending held its share at 13 per cent, though a decline in demand for property sector funds in Hong Kong is advanced as a factor in the fall of the Hongkong Bank from third to fourteenth place among lead managers.

Asian Banking's figures also show a shrinking in the average size of syndicated loans. There were 150 in the half, averaging $73.7m, against 119 in the first half of 1981 averaging $78.7m.

## UBS continues to improve

BY OUR ZURICH CORRESPONDENT

GOOD first-half results have been reported by Union Bank of Switzerland. It gave no figures for profits, but said second-quarter earnings were "gratifying."

In the first three months of this year, profits were up to expectations. Last year, net profits improved by 14.3 per cent to a record SwFr 381.8m ($188.1m).

The satisfactory second-quarter profits were attributed partly to good earnings on interest, particularly from abroad and to improved income from foreign-exchange and precious-metals dealings. Earnings from finance operations were below budgeted levels for the quarter.

The bank's balance-sheet total rose by SwFr 7.2bn to reach SwFr 100.5bn at the end of the half. Some SwFr 2.3bn of this growth was, however, due to the rise in the dollar exchange rate.

Good results for the whole of 1982 should be achieved, the bank predicted.

## Japanese printer ahead

BY OUR FINANCIAL STAFF

TOPPAN PRINTING, Japan's second largest printing company after Dai Nippon Printing, says earnings rose 4.8 per cent to Y14.27bn ($57m) in the year ended May, 1982 from Y13.6bn.

Sales increased by 8.6 per cent to Y447.628bn. Earnings per share fell to Y34.67 on increased capital, from Y37.38.

For the current fiscal year the company expects net earnings to grow at a slightly higher rate of about 5.1 per cent to Y15bn. The earnings figure is based on a projected growth in sales of 6 per cent to Y475bn.

A harsh economic environment in Japan and overseas has depressed earnings growth, the company said.

The rate of growth in profits in fiscal 1981 was nevertheless greater than the year-earlier rate of 3.4 per cent.

The commercial publications division outperformed other divisions, showing a growth in earnings of 10.3 per cent to Y282bn.



### NORTH AMERICAN QUARTERLIES Cont.

| MOTOROLA | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 965.1m | 901.4m |
| Net profits | 45.3m | 50.5m |
| Net per share | 1.26 | 1.41 |
| Six months | | |
| Revenue | 1.88bn | 1.76bn |
| Net profits | 79.9m | 97.4m |
| Net per share | 2.22 | 2.74 |

| NICOR INC. | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 453.8m | 403.3m |
| Net profits | 45.8m | 44.1m |
| Net per share | 2.01 | 2.01 |
| Six months | | |
| Revenue | 1.35bn | 1.17bn |
| Net profits | 78.6m | 104.9m |
| Net per share | 3.46 | 4.83 |

| OLIN CORPORATION | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 474.2m | 544.6m |
| Net profits | 23.4m | 32.9m |
| Net per share | 0.99 | 1.37 |
| Six months | | |
| Revenue | 973.9m | 1.06bn |
| Net profits | 45.4m | 61.3m |
| Net per share | 1.92 | 2.55 |

| REVLON | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 568.1m | 572.6m |
| Net profits | 39.7m | 48.6m |
| Net per share | 0.97 | 1.16 |
| Six months | | |
| Revenue | 1.12bn | 1.12bn |
| Net profits | 67.7m | 92.2m |
| Net per share | 1.60 | 2.1T |

| TEXTRON | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 775.4m | 869.5m |
| Net profits | 24.7m | 43.4m |
| Net per share | 0.67 | 1.16 |
| Six months | | |
| Revenue | 1.55bn | 1.7bn |
| Net profits | 45.5m | 84.5m |
| Net per share | 1.24 | 2.26 |

| 3M | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 1.69bn | 1.66bn |
| Net profits | 158.6m | 172.2m |
| Net per share | 1.35 | 1.47 |
| Six months | | |
| Revenue | 3.35bn | 3.25bn |
| Net profits | 311.1m | 341.2m |
| Net per share | 2.65 | 2.81 |

| U.S. GYPSUM | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 335.1m | 393.5m |
| Net profits | 14.3m | 21.9m |
| Net per share | 0.86 | 1.33 |
| Six months | | |
| Net profits | 17.4m | 38.5m |
| Net per share | 1.03 | 2.34 |

| U.S. TOBACCO | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 78.8m | 69.3m |
| Net profits | 13.4m | 9.8m |
| Net per share | 1.46 | 1.08 |
| Six months | | |
| Net profits | 25.2m | 20.1m |
| Net per share | 2.75 | 2.22 |

| VULCAN MATERIALS | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 187.7m | 206.2m |
| Net profits | 18.7m | 22.4m |
| Net per share | 1.61 | 1.94 |
| Six months | | |
| Net profits | 28.5m | 36.3m |
| Net per share | 2.46 | 3.14 |

| WANG LABORATORIES | 1981-82 $ | 1980-81 $ |
|---|---|---|
| Fourth quarter | | |
| Revenue | 351.3m | 285.9m |
| Net profits | 38.6m | 29.6m |
| Net per share | 0.63 | 0.51 |
| Year | | |
| Neta profits | 101.1m | 78.1m |
| Net per share | 1.76 | 1.38 |

| WASHINGTON POST | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 207.2m | 194.3m |
| Net profits | 18.6m | 13.2m |
| Net per share | 1.17 | 0.94 |
| Six months | | |
| Net profits | 21.7m | 15.1m |
| Net per share | 1.53 | 1.07 |

| YELLOW FREIGHT SYSTEM | 1982 $ | 1981 $ |
|---|---|---|
| Second quarter | | |
| Revenue | 249.9m | 247.6m |
| Net profits | 4.7m | 7.7m |
| Net per share | 0.33 | 0.54 |
| Six months | | |
| Net profits | 4.6m | 12.4m |
| Net per share | 0.32 | 0.87 |

RECESSION HITS AUSTRALIA'S LARGEST COMPANY

# BHP pins steel division hopes on state aid

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE HEADLINES that greeted Friday's news of a 25.8 per cent fall in profits at Broken Hill Proprietary Company—Australia's largest company and its biggest manufacturing employer—captured much of the gloom that has settled on Australia's mining and manufacturing giants since the middle of last year.

"No end in sight for BHP job cuts," said one newspaper. A second: "More jobs at risk as depression hits BHP." A third: "BHP steels itself for more hard times."

BHP's results for 1981-82, do indeed make sombre reading, whether expressed in historical cost terms or on the basis of the company's own inflation accounting system, which allows for the impact of inflation on the replacement cost of assets.

On an historical cost basis, group net profit for the year to May 31 was clipped by 25.8 per cent from A$491.3m in fiscal 1981 to A$364.5m (U.S.$368m). The key to the fall was a plunge in earnings at the group's steel division, where a A$12.6m loss compares with a profit of A$105.6m previously.

Earnings from oil and gas fell less precipitously, from A$277.3m to A$268.4m, while profit in the minerals division was A$28.6m, against A$38.5m. Partially offsetting these falls was a rise in profit at John Lysaght (Australia), BHP's metals division, from A$29.6m to A$35.5m, while other divisions of BHP showed a combined profit of A$44.6m, against A$40.2m.

Using BHP's own inflation accounting system, group net profit in the year was reduced from A$258.1m to A$150.3m.

Key factors in the fall in profit, said the directors, were substantial wages rises; big increases in other costs; underused production capacity; constrained export and domestic steel prices; and reduced international minerals demand.

Group sales rose by 6.6 per cent to A$4.9bn in the year, while fixed asset utilisation (depreciation) amounted to A$465.6m against A$419.5m.

The greatest of BHP's problems clearly arises from its steel division, which has shown its first loss in more than 50 years. Unless there were major changes, the company said, it was unlikely that the steelmaking operation would be back on a competitive footing for at least five years.

Mr Brian Loton, BHP's managing director, has warned that unless the Government, together with the Temporary Assistance Authority (TAA), provided more help for the company's steel division, the problem would get worse, production would be cut further, and more jobs would be lost. Last year, BHP cut its workforce by about 5 per cent, equal to at least 4,000 jobs, including 2,500 in the steel division.

"We are seeing an onslaught on our market like we have never seen before," Mr Loton said. "We think we have performed perhaps inadequately. But at least we kept our head above water until last year." Costs in Australia, he said, had reached the stage where they could no longer be borne.

**BHP's steel division will have to cut production and jobs further unless it receives more Government help, Mr Brian Loton, the group's managing director warns. BHP made a loss of A$13 a tonne of steel in the second half of the year to May against a profit of A$16.48 a year earlier**

Whether the TAA will favour BHP is hard to say, though the signs seem reasonably promising. In an application to the authority last month, BHP asked for quota restrictions on imports of most flat steel products, to limit imports to between 10 and 15 per cent of the Australian market, pending the long-term review of the steel industry and its problems which is to be undertaken by the Industries Assistance Commission.

BHP was making its first-ever application for quota protection, on products accounting for approximately half its present production. It told the TAA that its case was based on projected Australian imports, in 1982, of 840,000 tonnes of flat steel products in the range covered by the inquiry. These imports, said BHP, would amount in raw steel equivalent to some 1.1m ingot tonnes, representing an import growth of 53 per cent from 1981 tonnages, which in turn were 58 per cent higher than in 1980.

These figures, BHP said, meant that imports would have gained a share of these markets approaching, or exceeding, 30 per cent, equivalent to more than 13 per cent of Australia's total steelmaking capacity.

It told the TAA that most countries with integrated steel industries provided them with significant and varied measures of support, including low-cost finance, tariffs, quotas, and other specific measures, whereas the Australian steel industry received "only minimal assistance, the present steel tariffs having virtually no effect as an import control measure."

In 1979, BHP made an average profit on every tonne of steel produced, of A$20.83; in 1980 A$15.57; and in 1981 A$16.48. But the picture deteriorated sharply in the second half of 1981-82 with the average production cost rising to A$418 a tonne against an average selling price of A$405. In other words it was losing something like A$13 a tonne over the second half.

Not that it is doing as badly as some foreign steelmakers. It is at present operating at about 77 per cent of capacity, against an estimated 70 per cent for Japan, and as low as 45 per cent for U.S. steelmakers.

What seems likely is that BHP is considering a major change of strategy. Previously, it has vigorously defended its high investment levels in steel. Last year, capital spending on the steel division was A$360m, against A$305m in minerals, and A$155m in oil and gas. But Mr Loton says the company is unlikely to countenance such high spending in steel again until the division is once more profitable and competitive.

Despite the 25.8 per cent slump in fiscal 1982 profits, BHP has strong liquidity. It also has sizeable borrowing power: Mr Bill Hunter, the group's finance director, said BHP had US$430m in standby facilities from Australian and overseas banks, of which US$100m had been drawn down by May 31; and a US$400m syndicated bank loan, of which only US$20m has been drawn down.

# Matsushita Electric lifts interim group profit

By Yoko Shibata in Tokyo

MATSUSHITA Electric Industrial, Japan's largest electric appliance manufacturer with 84 consolidated subsidiaries, lifted group net profits by 10 per cent to a record Y77.82bn ($305m) in the half year to May on sales of Y1,768.63m ($6.93bn), up 9 per cent.

The advance in profits was attributed to strong sales of video tape records (VTRs) by three consolidated companies; the Matsushita parent company, Victor Company of Japan (JVC), and Matsushita Kotobuki Electronics.

Japanese VTR manufacturers stepped up VTR exports to Europe in the expectation of extra demand induced by the World Cup soccer championship in June and July. Shipments to Europe in January to May reached 1.81m sets, an increase of 113.2 per cent over the same period of the previous year. By comparison those to the U.S. rose by 39.5 per cent to 950,000 sets. However, the increased level of exported sets surpassed actual demand, leaving higher levels of inventories in European markets.

As a result, VTR market prices have been slackening sharply, particularly in Europe. The Ministry of the International Trade and Industry, worried about the possibility of accusations of dumping, will shortly extend the administrative guidance for orderly VTR production and exports. Because of acutely depressed overseas demand after the World Cup Japanese manufacturers have cal output to 70 to 80 per cent of capacity.

Matsushita's first-half sales of video equipment, including colour televisions, VTRs and VTR cameras rose by 27 per cent to account for 35.6 per cent of total turnover. VTR equipment sales alone rose by 48 per cent to Y446bn.

Overseas sales rose 13 per cent to account for 45 per cent of the total turnover, while domestic sales increased by 7 per cent.

In the current half year to November slower demand for VTRs is expected, but this should be offset by strong sales of communication and industrial equipment. The company is confident of achieving the sales target of Y3,740bn, up 8 per cent it made earlier in the year.

# COMMODITIES AND AGRICULTURE



## Fall in milk sales quickens

By Our Commodities Staff

THE RATE of decline in the consumption of liquid milk in England and Wales speeded up again last month after running at a considerably reduced level in earlier months.

In the first five months of 1982 year-on-year declines in sales of liquid milk as reported by the Milk Marketing Board (MMB) had averaged under 1 per cent, the lowest level for years. But provisional figures for June show a 3.5 per cent decline to 496.1m litres.

While noting that the June fall was markedly out of line with the trend of recent months the MMB offered no explanation. "Until more data are available, it is impossible to say whether the figure represents a change in consumption or is merely a statistical anomaly," it said.

Milk output on English and Welsh farms in June rose 8.2 per cent to 1,241.7m litres.

## Support for meat co-op urged

By Our Commodities Staff

LIVESTOCK PRODUCERS in South West England have been urged to give whole-hearted support to the rescue plan for North Devon Meat, the financially threatened producer co-operative.

Members of the co-op have been asked to contribute to a trust fund to pay off its debts, estimated at up to £2m.

In a message to the members Mr John Cross, chairman of Agricultural Co-operation and Marketing Services, said yesterday: "Producers must accept the responsibility of commitment to their co-operative in good times and had."

He warned that the knock-on effect of the collapse of North Devon Meat would be serious not only for sheep and beef producers in the region but for the dairy industry and animal feed suppliers.

● It was reported here last week that on August 9 deadline had been set by Lloyds Bank on the provision of overdraft facilities for the co-op if the rescue bid had not succeeded by then. We have been asked to point out that no formal limit has been placed on the duration of the overdraft.

## Selling reverses trend in copper

BY RICHARD MOONEY

GENERAL SELLING reversed the uptrend in the London Metal Exchange copper price yesterday trimming £14.50 off the cash quotation at £865 a tonne.

Last week hopes of easing U.S. interest rates prompted an upsurge which took cash metal £31.25 higher to a seven-month peak. But the speculative profit taking which was evident in late trading on Friday was continued yesterday, accompanied by some trade selling.

Dealers thought the decline was also encouraged by the announcement of a 3,625 tonnes rise in LME warehouse stocks to 145,575 tonnes, only 2,600 tonnes below the 19-month high reached last month. LME stocks of lead and zinc were also up, by 4,950 tonnes to 109,325 and by 1,175 tonnes to 68,675. But tin stocks fell 140 tonnes to 41,285.

Silver stocks rose by 10,000 troy ounces to 36.01m, while aluminium stocks fell 1,500 tonnes to 215,825 and nickel stocks fell 168 tonnes to 1,626.

On the LME yesterday lead and zinc prices moved lower in line with copper. Cash lead ended £5.25 down at £312.75 a tonne and cash zinc £4.75 lower at £409.75 a tonne.

Cash standard tin slipped £32.50 to £6,195 a tonne but the three months position fell more sharply, by £69 to £6,293.50. The narrowing premium for the three months quotation reflected the activity of the International Tin Agreement buffer stocks manager who has switched from buying three months tin to borrowing cash metal by selling forward and buying near.

In Lima, meanwhile, Peruvian Prime Minister, Sr Manuel Ulloa, said the Energy and Mines Minister, Sr Pedro Pablo Kuczynski, had resigned, reports Reuter.

He gave no reason for the resignation and said a replacement will be named shortly.

● Zambian copper production rose to 55,241 tonnes in March from 49,835 in February and 47,248 tonnes in March 1981, according to Mines Ministry figures released in Lusaka yesterday.

## Grim outlook for Australian wool

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ON THE EVE of today's opening of the new Australian wool selling season, growers were warned that tough times lay ahead. This week's sales, in which 140,000 bales will be offered at auction, are only a pipe-opener, but they could establish price trends for the rest of the year.

Farming leaders expect that the Australian Wool Corporation will be obliged to buy heavily to maintain prices. At sales to-day, the new door price of 422 cents a kilo clean will operate for the first time. Late last season, the Wool Corporation dipped heavily into its reserves to buy large amounts of wool.

Recent Bureau of Agricultural Economics forecasts, issued in Canberra, predicted a 10 per cent increase in wool-growing costs in the current season. According to the Wool Council of Australia, the lessening in world demand for wool signals hard times for growers.

Mr David Moore, executive director of the council, said yesterday that the BAE's forecast of a 4 per cent rise in wool returns for 1982-83 depended on a revival in international economic activity in the first half of next year.

Meantime, the Sheepmeat Council of Australia has called a special meeting in Canberra next week to discuss the crisis in domestic lamb prices, which threatens to drive thousands of producers out of business.

## Sugar slide resumed

By Our Commodities Staff

SUGAR PRICES on the London futures market yesterday resumed the decline which had been briefly interrupted by a modest rise on Friday. The October position ended at £110.775 a tonne, down £5.125 on the day and £21 over the last six trading days.

Part of yesterday's apparent fall actually happened in after-hours trading on Friday when the market was depressed by a report by West German statistician F. O. Licht saying European weather was still favourable for a bumper beet crop.

In Paris yesterday French trade house Sucres et Denrées said surplus could exceed 5m tonnes compared with a 1981-82 figure of 7.7m, reports Reuter. Long-term market prospects were bearish unless production was sizeably reduced, it said in its latest market report.

If climatic conditions were normal, production next season was likely to be around the 1981-82 level of 97.7m tonnes. Consumption was expected to rise by only 2 per cent from this season to some 92m tonnes.

A 9 per cent cut in EEC beet plantings could result in 1982-83 output falling to some 13m tonnes from 15m this season, while lower U.S. sowings were expected to lead to a cut in output of some 500,000 tonnes, the report said. Reduced plantings in other countries were likely to slice a further 1.5m tonnes off 1982-83 production.

## Soviet margarine output up

MOSCOW—A report by the Soviet Statistical Board, published in the Communist Party newspaper Pravda, has put the country's output in the first half of this year of vegetable oil at 1.3m tonnes, unchanged from the year-ago period.

Output of margarine products was 762,000 tonnes, against 728,000 in the year-ago period, and 592,000 tonnes of animal fats were produced, compared with 582,000 tonnes.

Reuter

GOLD FUTURES CONTRACT

## Putting glitter back into gold

BY JOHN EDWARDS, COMMODITIES EDITOR

PRESSURE to change the London gold futures contract from sterling to a dollar basis is building up following an alarming fall in turnover on the market. A straw poll among the 38 members of the market recently showed that at least 29 companies were in favour of considering a change.

One company, Citifutures—a subsidiary of Citibank — has circulated other members seeking to establish a consensus view to put to the Board of six members that runs the market. Supporters of a dollar contract claim that the situation is urgent: that unless some change is made the market will die from lack of support.

### Arbitrage

After starting off with a bang, as normally happens with new markets, turnover has dropped alarmingly in recent weeks, in spite of revived interest in gold that has brought active trading in the London bullion and the New York futures markets.

From averaging over 1,000 lots (of 10,000 ounces) a day, turnover has now fallen to around an average of 500 lots daily and interest in the market has declined appreciably. The fall in liquidity threatens to result in an even further decline in turnover, making arbitrage with the New York market increasingly difficult and discouraging business from commission houses and banks with sizeable amounts to trade.

Members, who paid £55,000 plus VAT for their seats, are committed to maintaining an active presence on the market. But they are becoming more and more loath to do so since the low turnover does not justify the cost of keeping staff on the market with little or nothing to do.

When the market was launched on April 19 there were high hopes that it would establish a role as the only gold futures contract in the European time zone, not hampered by the restrictions and regulations surrounding the New York (Comex) market. It was felt that the volatile nature of the gold market these days, and the continuing speculative interest in gold, would attract considerable support for the London contract, not only from Europe, but also from the Middle East.

The existence of an established futures market in New York was an added bonus creating arbitrage opportunities and enabling gold traders to operate 24 hours a day, in conjunction with the growing Hong Kong and Japanese markets in the Far East.

However the establishment of the market was beset with considerable problems and disagreements. The original launch date of September last year was abruptly cancelled when it was decided to change the whole concept of the market and look for new premises. The market is jointly sponsored by the five London bullion brokers, who control the physical market, and the London Metal Exchange which has the expertise in futures trading. However it is no secret that there was continual disagreement between representatives of the bullion brokers and the Metal Exchange during formation of the market. Although the differences were supposedly settled, the suspicion remains amongst many LME members that the bullion brokers do not want the futures market to succeed, since a successful futures contract would endanger their existing dominance of gold trading in London.

### Contention

The biggest bone of contention was the decision of a working party that the London futures contract should be in sterling and not in dollars. Long before the market was launched the sterling contract aroused such opposition that a special meeting was called to discuss the whole matter.

Many traders, who attended the meeting claimed afterwards that it was evident a large majority favoured a dollar contract, but nevertheless the working party was so firmly in favour of a sterling contract that it went through. The arguments in favour of trading in sterling are: that other metals on the London Metal Exchange (including silver) are successfully traded in sterling and provide useful extra arbitrage business for traders and that experience in other gold futures markets has shown that they only succeed if the local currency is used.

Additionally it was pointed out that the present (or a new) Government might decide to re-impose foreign exchange controls, which would effectively kill a London dollar contract for gold. It was also implied that if the sterling contract did not succeed then a switch to dollar trading would be considered.

### Currency risk

Supporters of a dollar contract claim that gold traded throughout the world in dollars, and indeed the London bullion brokers issue their daily fixing quotations in dollars. It is argued that speculators and traders in gold are used to dealing in dollars and are not interested in sterling quotations, which involve an additional currency risk.

Many traders especially the commission houses, say they could generate a considerable extra volume of interest in London gold futures if the contract was in dollars. At the same time arbitrage trading with New York is made more complicated by having to deal in two different currencies.

Keith Smith, chairman of the market, says it is much too early yet to judge the success or otherwise of the contract. He points out that the market has only been operating for less than three months and that spot trading has yet to start, when dealings in the first month, August, become due for delivery.

Mr Smith noted that the New York gold future contract was "dead" for at least the first six months of its existence, and that the highly successful London gas oil futures market (which trades in dollars) also took over six months to become properly established. So far, he argues, conditions in the gold market have not favoured futures trading in London, and there is nothing to panic about at this stage.

The structure of the gold futures market is such that it is the six directors—three from the bullion brokers and three from the London Metal Exchange—who have to be convinced of the need for a change. The seat owners, who are pledged not to sell their seats for at least three years, are only debenture holders who have little power to force the Board to take action unless they can persuade a Court that the directors are not acting in the best interests of the company.

That kind of legal action is unlikely to happen. But feeling is running so high, with seat holders facing heavy losses, that there is talk of supporting an alternative dollar gold futures contract in London, perhaps under the auspices of the new London International Financial Futures Exchanges (LIFFE) which is due to start trading in late September.

## U.S. peanut stocks good

WASHINGTON — Stocks of peanuts held in U.S. commercial storage at June 30 amounted to 1,083.3m lbs, compared with 1,377.9m lbs a month earlier and 506.7m a year ago, the U.S. agriculture department reported.

During June, 42.7m lbs of peanuts were crushed for oil, cake and meal, compared with 44.6m lbs crushed a year ago, the USDA said.

Late arrival of the Monsoon in India's main peanut growing state of Gujarat may reduce the total peanut crop to around 5.25m tonnes (in shell) from 6.0m tonnes forecast earlier. The USDA's counsellor in New Delhi said.

A field report, dated July 22, said Gujarat, which normally produces about 30 per cent of the total peanut crop, grows about 85 per cent of its crop during the Kharif season—planted in June-July and harvested in September-October.

Due to the late arrival of the Monsoon, farmers have been advised by the State Agriculture Department to plant quicker maturing types but there is a shortage of seeds.

Reuter

## LONDON OIL SPOT PRICES

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel) | | |
| Arabian Light | 31.75-31.90 | −0.13 |
| Iranian Light | 50.90 | −0.39 |
| Arabian Heavy | 20.70-29.75 | −0.05 |
| North Sea (Forties) | 33.00-33.10 | −0.05 |
| African (Bonny Light) | 34.00-54.60 | −0.1 |
| PRODUCTS—North West Europe CIF ($ per tonne) | | |
| Premium gasoline | 345 | −1 |
| Gas oil | 278-283 | −0.5 |
| Heavy fuel oil | 160-161 | — |

## GAS OIL FUTURES

After opening weaker to reflect the New York close, the market continued to fall in line with physicals. Conditions were thin with a number of traders standing aside, reports Premier Man.

| Month | Yest'day's close | + or − | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| July | 275.00 | −5.25 | — |
| August | 280.00 | −2.75 | 282.50-78.00 |
| Sept. | 278.75 | −3.50 | 280.50-76.75 |
| Oct. | 281.25 | −5.00 | 282.50-79.25 |
| Nov | 282.25 | −3.75 | 232.25-81.00 |
| Dec | 283.00 | −4.00 | 285.00-82.00 |
| Jan | 283.50 | −5.50 | 284.00-83.00 |
| Feb | 285.00 | −4.75 | — |
| March | 285.50 | −4.00 | — |

Turnover: 3,825 (4,994) lots of 100 tonnes.

## GOLD MARKETS

Gold fell $10¼ an ounce from Friday's close in the London bullion market yesterday to finish at $353-354. The metal opened at $356-357 and touched a low of $349¼-350¼ at one point as the market showed some reaction to a firmer trend in U.S. interest rates.

In Frankfurt the 12½ kilo bar was fixed at DM 27,710 per kilo ($359.0 per ounce) against DM 28,260 ($365.72 per ounce) previously and closed at $352-353 from $364-365.

In Paris the 12½ kilo bar was fixed at FFr 76,500 per kilo ($355.39 per ounce) in the afternoon compared with FFr 76,500 ($355.79) in the morning and FFr 78,000 ($363.13) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $357.0 against $365.75.

In Zurich gold finished at $352-355 from $362-365.

### LONDON FUTURES

| Month | Yest'rday's close | + or − | Business Done |
|---|---|---|---|
| | £ per troy ounce | | |
| August | 204.60-1.20 | −5.850 | 205.50-98.75 |
| Sept'mb'r | 202.00-3.00 | −6.250 | 204.90-2.70 |
| October | 204.00-4.75 | −6.975 | 207.00-3.40 |
| November | 205.50-6.60 | −6.600 | 208.50 |
| December | 207.00-8.90 | −6.150 | 211.80-6.00 |
| January | 209.00-1.00 | −5.550 | 212.50-8.50 |
| February | 211.00-3.00 | — | |

Turnover: 275 (317) lots of 100 troy ounces.

Gold Bullion (fine ounce)

| | July 26 | | July 23 | |
|---|---|---|---|---|
| Close | $353-354 | (£200½-200¾) | $363¼-364¼ | (£206¼-207¼) |
| Opening | $356-357 | (£202-202½) | $364-365 | (£207¼-207¾) |
| Morning fixing | $357 | (£202.668) | $363.75 | (£206.442) |
| Afternoon fixing | $352.25 | (£199.949) | $363.25 | (£205.982) |

Gold Coins July 26

| | | | | | |
|---|---|---|---|---|---|
| Krugrnd | $364-365 | (£206½-207) | King Sov | $89-91 | (£50½-51½) |
| ½ Krug | $187½-188½ | (£106½-107) | Victoria Sov | $89-91 | (£50½-51½) |
| ¼ Krug | $95½-96½ | (£54¼-54¾) | French 20s | $77½-80½ | (£44¼-45¼) |
| 1/10 Krug | $39-40 | (£22¼-22¾) | 50 pesos Mex. | $432-435 | (£245¼-247) |
| Mapleleaf | $364-365 | (£206½-207½) | 100 Cor. Aust | $342-346 | (£194¼-196¼) |
| New Sov | $84-84½ | (£47¾-48) | $20 Eagles | $390-400 | (£221¼-227) |

## BRITISH COMMODITY MARKET

### BASE METALS

BASE-METAL prices lost ground on the London Metal Exchange yesterday, led by Copper, which was hit by both speculative and trade selling and fell to close the late Kerb at £883.5. Lead was finally £324, Zinc £418, Aluminium £573.5 and Nickel £2,785. Forward Tin declined to £6,300, at which level the Contango had narrowed to £100, accompanied by some fresh buying ...

| COPPER | a.m. Official | + or − | p.m. Unofficial | + or − |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| HighGrade | | | | |
| Cash | 864.5 | −21.7 | 864.5-5.5 | −14.5 |
| 3 mths | 879.5 | −21.2 | 878-80 | −16 |
| Settlem't | 865 | −21.5 | — | |
| Cathodes | | | | |
| Cash | 859-40 | −23 | 840-1 | −16 |
| 3 months | 859.5 | −22.2 | 860.5 | −14 |
| Settlem't | 840 | −23 | — | |
| U.S. Prod. | — | | *70-75 | |

Amalgamated Metal Trading reported ... [illegible]

| TIN | a.m. Official | + or − | p.m. Unofficial | + or − |
|---|---|---|---|---|
| High Grade | £ | £ | £ | £ |
| Cash | 6230-40 | +17.5 | 6190-200 | −32.5 |
| 3 months | 6350-75 | +12.5 | 6295-315 | −67.5 |
| Settlem't | 6240 | +20 | — | |
| Standard | | | | |
| Cash | 6230-40 | +17.5 | 6190-200 | −32.5 |
| 3 months | 6340-50 | −2.5 | 6281-5 | −69 |
| Settlem't | 6240 | +20 | — | |
| Straits E. | $29.15 | | | |
| New York | — | | | |

Tin—Morning: [illegible]

| LEAD | a.m. Official | + or − | p.m. Unofficial | + or − |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 311-.5 | −6.5 | 312.5-3 | −5.25 |
| 3 months | 323.5-4 | −5.5 | 344.5-5 | −6.25 |
| Settlem't | 311.5 | −6.5 | — | |
| U.S. Spot | — | | *28-8 | |

Lead—Morning: [illegible]

ZINC, ALUMINIUM, NICKEL: [illegible]

### SILVER

Silver was fixed 0.90p an ounce lower for spot delivery in the London bullion market yesterday at 404.50p. U.S. cent equivalents of the fixing levels were: spot 712.0c, down 2.5c; three-month 734.6c, down 1.5c; six-month 758.8c, up 2.3c; and 12-month 800.8c, up 2.3c. The metal opened and closed at 406-409p (716-720c).

[illegible]

### RUBBER

No. 1 RSS in Kuala Lumpur of 196.5 (197.25) cents a kg and SMR 20 172.0 (same).

| No. 1 R.S.S. | Yest'r'ys close | Previous close | Business Done |
|---|---|---|---|
| Aug | 43.50-43.60 | 50.00-51.50 | 49.50 |
| Sept | 50.20-50.60 | 51.10-51.50 | — |
| Oct-Dec | 51.50-51.90 | 52.60-52.60 | 52.60-51.80 |
| [illegible] | | | |

COCOA, COFFEE, GRAINS, SOYABEAN MEAL, SUGAR, TEA AUCTIONS, COTTON, POTATOES, WOOL FUTURES: [illegible]

## PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

## INDICES

FINANCIAL TIMES, REUTERS, MOODY'S, DOW JONES: [illegible]

## AMERICAN MARKETS

NEW YORK, July 26.

Precious metals and copper were lower on a stronger dollar and higher interest rates in the futures. Reports of a potential Iran-Iraq truce triggered short selling in heating oil. Speculative liquidation turned early gains in coffee into moderate losses. The livestock complex was generally higher ahead on an important Government report, reported Heinold.

Copper—July 66.70 (67.30), Aug ... [illegible]

... 62.90, Feb 62.20, April 62.00, June 63.10-63.00; Aug 62.00

Live Hogs—Aug 61.65-61.77 (61.17), Oct 58.00-68.80 (58.60), Dec 58.70-58.55, Feb 56.25, April 52.15-52.20, June 52.65, July 52.90, Aug 49.75

††Maize—Sept 252½-252¾ (256¼), Dec 254½-254¾ (257¼), Mar 269¼-269½, May 277½-277¾, July 282½-282¾, Sept 283¾

Pork Bellies—Aug 82.50-82.25 (80.72), Feb 76.80-76.70 (76.12), Mar 75.75, ... [illegible]

## EUROPEAN MARKETS

ROTTERDAM, July 26. [illegible]

## MEAT/FISH

[illegible]

## FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

[illegible]

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

[illegible]

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).



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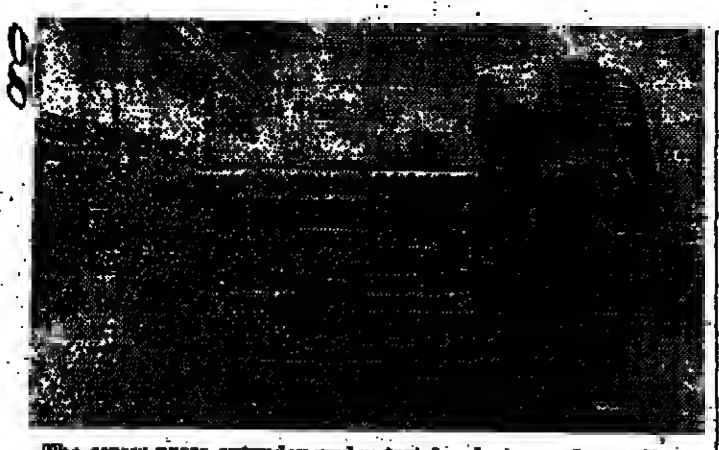
# TECHNOLOGY

EDITED BY ALAN CANE



The screw press extruder under test for drying and recycling low-density polyethylene flakes.

Polyethylene drying

## S. Africa tests for plastic extruder

A NEW extruder using a de-watering principle and frictional heat to dry polyethylene flakes, which is claimed to be more efficient and compact than conventional thermal dryers, is now under test in South Africa.

A prototype and two other machines are being tested at the works of Gundle Plastics in Johannesburg with collaboration from Simon-Rosedowns of Hull. Each machine is claimed to be capable of producing one tonne-per-hour of dried plastic pellets. The flakes are of up to 200 mm in size down to 1 per cent moisture level.

The pellets are then processed to form a medium to heavy gauge film which can be used for under surface bed membranes in the construction industry.

The screw press extruder takes low-density polyethylene which is chopped and washed before processing. The wet flakes are passed via a variable speed screw conveyor which, in its first stage, increases the density and squeezes out the water.

The second stage reduces the moisture even further by a higher screw assembly. At this point the absorbed machine energy starts to convert to heat and the material fuses.

In the third and final stage a cylinder with internal screw assembly moves the material at high pressure at about 150 deg. C onto a die plate.

When the material is exposed to atmosphere the remaining trapped moisture turns to steam and then, when dry, extruded material can be cut into pellets by a rotating knife.

The die plate can be preheated for start-up while a variable speed drive is fitted to the cutter so that the finished particle size is adjustable according to the proximity of the die face.

Simon — Rosedowns is at Cannon Street, Hull (0482 29864 —Stuart Smith is the man to talk to).

MAX COMMANDER

Electric furnaces

## Long-life elements

SILICON CARBIDE heating elements for electric furnaces, coated with SiOxyn, a proprietary form of silicon oxynitride, can extend the life of such elements by up to 300 per cent according to the makers.

Called Hot Rod CXL, the elements have the same electrical characteristics as uncoated silicon carbide elements and can directly replace them in any furnace. Their longer life reduces furnace down-time, maintenance and replacement costs.

The coating simply fills the gaps between the separate silicon carbide grains, sealing the surface and preventing oxidising and corrosive gases from penetrating the interior.

Oxidation has the effect of gradually increasing the electrical resistance near the surface and the coating is especially effective in withstanding the corrosive atmospheres found in aluminium die casting, powder metallurgy, calcining, brazing and heat treating.

More from Bulten-Kanthal AB, S-734 01 Hallstahammar, Sweden.





Electronics

## Tagging the dairy animals

THE ABILITY to control production processes, open doors automatically, spot unwelcome visitors or feed animals using a wafer thin tag, no larger than a 50 pence piece, is claimed to be possible using a system developed by Eureka in Slough.

Its electronic tag is part of a monitoring system which can be programmed to identify or locate anything that moves.

The system which was developed in conjunction with Marconi uses a central computer connected to various mobile or fixed sensors dotted around a building which can detect the tags up to a distance of 3m.

As a person carrying a tag approaches a sensor it will cause the appropriate action to be taken — such as a door opening or a piece of machinery to stop operating.

The tag is a tiny transmitter emitting a tiny indentification code to the sensor.

The system has already been tested on dairy farms where the tags are hung round the necks of cows. Each tag is individually coded and the central computer system can monitor each animal, control individual feed supplies, monitor milk yield and other information such as weight and temperature can be stored.

### Potential

The company says that this technique could be used as part of a national identity system to record the movement of livestock throughout the country.

But the potential of such systems lies in many other areas. For example, the company is looking at its potential in security to provide limited access to personnel in buildings, to improve safety in hazardous environments such as mines.

In addition, Eureka is developing systems based on the tag for car-parking, mass transit ticketing, and warehousing.

ELAINE WILLIAMS

Eye testing

## Optics in the box

IN THE U.S. the days may soon be past when the patient undergoing an eye examination for spectacles has to look at a test image placed 20 ft or so down the room.

In a system from Bausch and Lomb not only have the optics been "folded" into a box so as to give an impression of an image at infinity—the whole process has been made much more convenient for the optician by deploying a microprocessor.

The equipment, called IVEX, occupies about 50 per cent of the space needed by conventional instruments and sells in the U.S. for $17,000. The patient simply arranges his head in a positioning frame and the optician can then carry out the work from a keyboard. A small built-in printer produces the prescription data.

The company is at 42, East Avenue, Rochester, New York 13603. (716) 338 6262.

Typewriters

## Electronic interfaces

THE UK distributors of Triumph typewriters, Office International of Sunbury-on-Thames is offering electronic interfaces which will allow the machines, and some other makes of electronic typewriter, to be connected to items such as word processors, micro computers and telex machines.

There are three broad categories. One is "receive only" which simply allows the typewriter to act as a printer, working from a microcomputer. The second is "transmit only," enabling a typist to remotely prepare telex, or provide input to a micro or word processor. With the third interface, the contents of the memory of an intelligent electronic typewriter can be stored on a cassette tape.

These interface options are to be marketed in the UK through Office International's 120 sales and service outlets.



ICI's scientists go back to nature for inorganic inspiration

# Putting a spring into cement

BY DAVID FISHLOCK, SCIENCE EDITOR

WHY NOT make springs and bottle caps out of cement? The answer is easy—because they would shatter. They are not tough enough.

But scientists with ICI's New Sciences Group at Runcorn have cast both kinds of component from cement and shown that they can behave much like metal. The featherweight bottle caps tinkle in a metal-like fashion as you pour them in a heap. Helical cement springs can be stretched and relaxed as if made of coiled steel.

In the words of one Oxford researcher, the ICI scientists have taken a "not-quite-respectable material" and shown how its mechanical properties can be improved by huge factors. They have done it by taking the holes out of cement.

Professor Derek Birchall, FRS, and Dr Dennis Ballard, the ICI scientists see cement as a "dramatic example of the neglect of inorganic research." Traditionally it has "been accepted that cement is intrinsically weak," Dr Ballard says.

ICI research aimed at getting the stiffness and toughness of metals as cheaply as possible. Nature itself takes a commonplace inorganic compound, calcium carbonate—familiar as chalk and limestone and far removed from the properties of metals—and from it fashions such metal-like structures as sea shells and, best of all, mother-of-pearl.

What began as a research concept—"technological push"—now has the impetus of "market pull," says Dr Roger Laird, director of ICI's New Sciences Group. The market is looking for cheaper, lighter, less flammable materials. "So our research aimed at getting stiffness and toughness as cheaply as possible." Strong cements may fulfil all three of these demands.

What his researchers have done is find a way of eliminating large pores—the "holes"—from cements based on such compounds as calcium silicate, calcium aluminate and calcium carbonate. As they point out, such materials are "dirt cheap." By producing what they call "macro-defect free" (MDF) cements, they have been able to demonstrate the kind of strengths achievable in sintered ceramics without the need for high pressures or temperatures and without fibre reinforcement.

Birchall and Ballard have removed the big pores by tighter process control. For example, they have demonstrated dramatic increases in strength by taking ordinary Portland cement, making a slurry of 100 parts of cement in 22 parts of water, casting the mixture, curing for seven days, then drying for seven days.

They make helical springs by extruding a rod of this slurry, wrapping it round a toilet-roll holder, and then curing and drying the component.

To aid the elimination of pores they added a few per cent of an organic rheological aid but no stiffening or reinforcing material. The rheological aid helps the slurry to flow easily and fills the big pores. MDF cements are claimed to be up to one million times more impermeable to water than ordinary cement.

"And this is just the beginning—no-one can predict the end," Dr Ballard says. "Can we push up to the point of plastic flow in cements?"

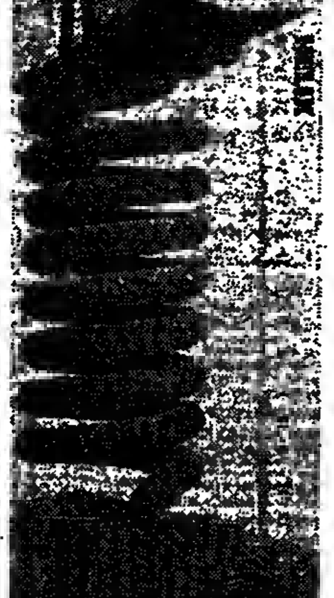
The researchers are developing novel techniques for casting and forming thin layers and films of cement, akin in structures to those of marine shell. Mother-of-pearl, for example, consists of low-porosity plates of crystalline calcium carbonate held together by very thin layers of a protein polymer "glue."

Thin plates of such cements can be flexed, drilled, sawn and pop-riveted. Films turn out to be closer in fracture characteristics to a plastic than to a ceramic.

As the start of a new commercial venture by Mond Division, ICI is commissioning a semi-technical unit at Widnes, Lancashire, with a nominal capacity of 200 tonnes a year of its patented new inorganic "composites." They are based on ordinary hydraulic cements but have tensile strengths up to 20 times higher, and toughnesses up to 100 times greater. They are about twice as stiff as glass-fibre reinforced plastic composites.

ICI calls them "new inorganic materials" (NIMS). It claims they can have electrical properties approaching those of porcelains, and greater resistance to acids and alkalis than ordinary cements. Properties—including the colour—can be modified by making chemical additions to the "dough" of cement before it is formed. NIMS can also be used in thin layers to clad other materials—such as wood, glass or organic foams—to give a hard surface, fire resistance, and so on.

Professor Dennis Birchall (left) with colleagues, Dr K. Kendall and Mr A. J. Howard dealing with the "neglect of inorganic research."



A concrete helical spring made from an extruded rod of slurry wrapped around a toilet-roll holder. This one is is about seven inches long.



Publications

## October mag

A publication called The FMS Magazine is to start publication in October on a subscription basis — an indication of the growing interest in flexible manufacturing systems.

Publishers will be IFS (Publications) which already publishes Industrial Robot Journal, now in its ninth year, showing that the subject is not as new as some people imagine.

Sister company IFS (Conferences) will also be putting on an FMS conference at Brighton in October, after which there is a study tour to Japan. This is being organised for the the British Robot Association by IFS and Technical Transfer Institute (UK).

Groups will leave on November 14 to spend two weeks "totally immersed" in some of the best examples of FMS activity in the world. Both wings of IFS are at Bedford on 0234 853605.

# WORLD STOCK MARKETS

# Dow 3.9 easier at midsession

WITH SENTIMENT dampened by the smaller-than-expected decline in U.S. weekly money supply figures, reported late last Friday, Wall Street lost ground at the outset yesterday but recovered a little later in the morning.

Analysts said demand for stocks picked up modestly after Manufacturers Hanover followed Wachovia Bank in trimming its prime rate to 15½ per cent from 16.

The Dow Jones Industrial Average, which had been down more than five points at one point, was a net 3.90 easier at 826.67 at 1 pm. The NYSE All Common Index lost 32 cents at $63.48, while declines led advances by a seven-to-four margin. Trading volume contracted to 28.14m shares from Friday's 1 pm figure of 36.61m.

Tektronix fell two points to $46¾ on nearly 300,000 shares. A block of 149,700 shares changed hands at $46¼.

Hughes Tool, which headed the most active list, gained ⅜ to $17⅜ despite lower earnings.

Masonite, which plans a partial liquidation of the company, is expected to trade higher. It last traded at $23¼ and was indicated between $26 and $29 on the New York SE.

General Motors, expected to report quarterly results yesterday, dipped ⅜ to $43⅜.

Tonka, which reported a loss for the second quarter, slipped 2½ to $17.

THE AMERICAN SE Market Value Index was down 0.89 at 255.93 at 1 pm after volume of 2.85m shares (2.74m).

## Canada

Markets were mixed to higher at mid-day after light trading, despite some disappointment over the U.S. money supply figures. The Toronto Composite Index edged up 1.3 to 1,456.1.

Closing prices for North America were not available for this edition.

Resource issues were firmer, but Financial and Real Estate stocks were weaker. The Gold index rose 9.3 to 1,859.7 and Oil and Gas 10.2 to 2,475.6. The Financials index fell 10.3 to 1,021.

## Tokyo

Shares were mixed to easier in thin dealings after the yen failed to maintain a good opening rally against the U.S. dollar. Computer Manufacturers made a particularly weak showing in reaction to reports that the U.S. Justice Department is to investigate allegations of collusion by Japanese semi-conductor manufacturers to support prices for memory chips on the U.S. market.

The Nikkei-Dow Jones Average, which picked up 9.50 on Saturday, shipped 26.07 to 7,203.94. The Tokyo SE index lost 1.40 to 532.67, after a Saturday improvement of 1.27. Declines outscored rises by about seven-to-five following volume of 170m shares which equalled the half-day Saturday session total.

Among Computer Manufacturers, Hitachi dipped Y6 to Y564, Nippon Electric Y16 to Y777, Fujitsu Y9 to Y774 and Oki Electric Y16 to Y379. Matsushita Electric shed Y20 to Y1,020 despite announcing record first-half consolidated net earnings.

Blue Chips put on a rather mixed performance overall, with bright spots including TDK Electronic, Y30 firmer at Y4,250, and Olympus, Y19 higher, at Y989.

## Germany

Prices wound up mixed with advances having a slight edge over declines after a fairly quiet trading session.

West Germany June trade and current account figures came too late to make an impact on the stock market. Uncertainty over the trend of domestic interest rates appeared to have pushed many investors to the sidelines. Rates were steady to a little firmer. There is some speculation that Deutsche Bundesbank Central Bank Council at its Thursday meeting may reduce the official Lombard lending rate from the current 9 per cent, but many market participants doubted such a move.

Dresdner Bank, reporting a record overall operating profit in the first half, closed DM 1.20 up at DM 138.70. Among other favoured shares, Daimler rose DM 2 to DM 306, Brown Boveri DM 3 to DM 179, GHH DM 3.50 to DM 189 and Kaufhof DM 3 to DM 178.50.

Electricals issue AEG, with the path for a government export guarantee apparently now clear, hardened DM 0.50 to DM 33.20. SEL, which said on Friday it is willing to help rescue AEG, lost DM 0.80 to DM 229.20.

Prices on the Bond market were narrowly mixed but basically well maintained. A new DM 1.6bn Government Bond issue, priced yesterday morning at 99.75 per cent with a 9 per cent coupon for a yield of 9.04 per cent was well received and traded at a half-point discount. Deutsche-mark Eurobonds were narrowly mixed.

## Paris

An easier tendency prevailed after quiet trading. Market analysts said investors were unsettled by the poor French trade figures for June. The June deficit of FFr 13.3bn was four times that recorded in May.

## Australia

Some leading Resources issues led markets into firmer ground yesterday, boosted by the prospects of lower interest rates, higher metal prices and rumours of an imminent devaluation of the Australian dollar.

The All Ordinaries Index put on 4.8 to 476.2, Metals and Minerals 8.7 to 361.3, and Oil and Gas 4.0 to 432.6.

Overall market leader BHP looked set to retreat in the opening session following Friday's report of a 25.8 per cent fall in profits. However, after easing to A$7.08, it rose to A$7.26, up 12 cents on the day.

Some leading Mining stocks encountered sizable overseas buying orders. CRA advanced 18 cents to A$3.30, MIM [illegible] cents to A$3.05 and Western Mining 8 cents to A$3.22.

Hartogen was 17 cents [illegible] at A$2.05 after a new oil discovery at the Borah Creek [illegible] well in the Surat Basin. The well flowed 750 barrels of [illegible] a day. Elsewhere in the Oil and Gas group, Santos put on 21 cents to A$5.15.

## Hong Kong

Despite news late last Friday of a one percentage point cut in local prime lending rates, the market declined afresh yesterday in another moderate business. Growing nervousness about Hong Kong's future was a major reason for the easier share prices, although Blue Chips saw support at the lower levels.

The Hang Seng Index slipped 12.44 more to 1,271.12, while turnover on the four exchanges amounted to HK$200.58m, compared with Friday's HK$218.04m.

Several analysts said the sellers were predominantly local investors, with overseas institutions continuing to buy Blue Chip shares at what are regarded as bargain prices. They added, however, that the growing lack of confidence on the part of the local operators could easily discourage the institutions, allowing the market to fall through the 1,250 barrier on the Hang Seng index. This has been considered a fairly stable support point.

While one analyst said that an improvement in overseas markets could help Hong Kong shares pick up, most said that the current market worry over the British Colony's future could turn into a malaise. They added that it could well last until the British Prime Minister makes her scheduled visit to Peking in September when, it is hoped, the Colony's future might be clarified.

## NEW YORK

## CANADA

## BELGIUM (continued)

## HOLLAND

## AUSTRALIA

## JAPAN (continued)

## DENMARK

## FRANCE

## ITALY

## NORWAY

## HONG KONG

## SINGAPORE

## SWEDEN

## SOUTH AFRICA

## GERMANY

## JAPAN

## AUSTRIA

## SWITZERLAND

## BELGIUM/LUXEMBOURG

## BRAZIL

## Indices

## NEW YORK — DOW JONES

## STANDARD AND POORS

## NY. S.E. ALL COMMON

## MONTREAL

## TORONTO Composite

## NEW YORK ACTIVE STOCKS

(**) Saturday July 24: Japan Dow 7,230.1, TSE 534.07.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials, § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Financial Rand US$0.58 (Discount of 71%)

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights.

# LONDON STOCK EXCHANGE

# Markets turn easier on lack of follow-through demand

# HP, consumer goods shares up on lifting of controls

**Account Dealing Dates**

| First Dealings | Option Declarations | Last Dealings | Account Day |
|---|---|---|---|
| July 19 | July 29 | July 30 | Aug 9 |
| Aug 2 | Aug 12 | Aug 13 | Aug 23 |
| Aug 16 | Sept 2 | Sept 3 | Sept 13 |

" New-time " dealings may take place from 9.30 am two business days earlier.

Further favourable indications of lower interest rates failed to generate fresh buying enthusiasm on London stock markets yesterday and the two main investment sectors looked a little tired after the recent upsurge.

Gilt-edged securities encountered profit-taking despite further pressure on the major banks to reduce base rates following another cut in money market intervention rates yesterday. The announcement of reductions from 16 to 15½ per cent in prime rates by some U.S. banks also failed to deter offerings. Falls at the long end of the market were usually limited to around ¼, a relatively modest reaction when viewed against recent strength. The Government securities index closed 0.38 down at 72.28, after having risen over four points in three weeks.

The expected announcement of a relaxation in hire purchase controls, subsequently confirmed, gave an early boost to sentiment in the equity sectors. But leading industrials soon drifted back from higher opening levels on lack of follow-through support. A gain of 2.9 at the 10 am calculation of the FT 30-share index was transformed into a net loss of 6 points three hours later, and this measure of the market closed 4.9 down at 573.3; weakness in engineers TI and John Brown accounted for more than 3 points of the day's loss.

Hire purchase issues made progress in response to the lifting of controls but closed well below the best, while selective consumer goods shares also made headway. Of the sectors, leading Banks became relatively lively pending further interim announcements and Merchant Banks encountered another flurry of speculative activity.

## Hire Purchases up

Late confirmation of the expected relaxation of hire-purchase restrictions left HP issues closing below the best in places. Nevertheless, improvements still ranged to 8 with London Scottish Finance adding that much to 48p. Provident Financial improved 5 to 136p, after 140p, and Wagon Finance gained 4 to 46p. Moorgate Mercantile rose 3 to 21p and Cattles 2 to 28p, after 29p. Elsewhere, Lloyds jumped 16 to 416p following comment on the satisfactory half-year results, while NatWest, the next major clearer to announce first-half figures today, advanced 12 to 452p. Barclays also firmed 12, to 400p, while Midland, unsettled last week by comment about the Thomas Cook subsidary, rallied 4 to 336p, after 340p. Still excited by the £66m acquisition by Aetna Life and Casualty of the U.S. of a 40 per cent interest in Samuel Montagu, selected merchant banks made further progress on bid hopes. Kleinwort Benson, up 16 last Friday, rose 6 more to 234p, while Hambros gained 3 to 113p after 117p.

Yesterday saw the debut of Yelverton Investments in the Unlisted Securities Market; the shares, previously dealt under Special Rule, opened at 36p and settled at 34p.

Leading Breweries passed a fairly uneventful session with the notable exception of Whitbread, which fell 7 in the after-hours' trade to 116p on the proposed $155m acquisition of Nabisco Brands' U.S. wine and spirit import business. Elsewhere, Merrydown Wine announced impressive preliminary results and advanced 8 more to 134p.

Interest rate optimism again provided the stimulus for Buildings. Barratt Development touched 302p before closing a net 6 up at 300p, while George Wimpey put on 3 to 111p. Costain met revived support, the ordinary and Deferred gaining 10 apiece to 240p and 234p respectively. Blue Circle edged up 5 to 487p, while BPB added the same amount to 455p. Outside of the leaders, Press comment stimulated interest in A. Monk which firmed 2 to a 1982 peak of 79p.

After opening a shade firmer at 314p, ICI drifted off to close 2 cheaper on balance at 310p: the second-quarter results are due on Thursday. Among other Chemicals, recently firm Allied Colloids encountered profit-taking and gave up 6 to 263p, but Ellis and Everard put on 8 to a 1982 peak of 15 p in response to the results and one-for-ten scrip issue.

## Currys good again

Stores attracted strong support at the outset, but lack of follow-through demand left most well below the best. Gussies A touched 518p before settling for a net gain of 8 at 513p. British Homes added 3 to 186p, while Debenhams returned to favour and firmed 2 to 81p, after 84p. The easing of hire purchase restrictions directed interest towards electrical retailers although these also finished below levels attained earlier in the day. Currys, up to 184p in the early trade, closed at 178p, still up 10 to record a two-day advance of 20. Dixons Photographic, annual results scheduled for Thursday, firmed 8 more to 183p, after 192p, while Comet Radiovision gained 5 to 128p. Elsewhere, support was forthcoming for Cornell Dresses, 5 up at 175p, and for Harris Queensway, 6 better at 190p.

Leading Electricals reacted from a firm start to close mixed. Thorn EMI hardened a few pence to 426p, but Racal eased 5 to 490p despite the chairman's encouraging AGM statement. BICC lost 8 to 310p. Elsewhere, Eurotherm fell 7 on profit-taking to 465p.

Still demoralised by the profits warning which accompanied the interim figures, John Brown dropped 5 for a two-day slump of 12 to a 1982 low of 43½p. TI also showed marked weakness, closing 6 down on the day and 4 below its par value at 96p. Elsewhere in Engineerings, Capper-Neill shed 2 to 43p following adverse comment but F. H. Tomkins hardened 2½ to 22p in response to the results. Associated Tooling rose 3 to 57p following demand ahead of Thursday's preliminary figures.

Food Retailers closed below the best as interest faded. Associated Dairies finished 4 dearer on balance at 140p, after 142p. Linfood touched a 1982 peak of 202p before settling a net firmer at 200p following the preliminary results and the board's confident statement. Elsewhere, Cadbury Schweppes added a couple of pence to 108p helped by the group's Australian subsidiary's good interim results. British Sugar firmed 5 to 460p awaiting the EEC Commission's report on the implications of a merger with S. and W. Berisford.

Hoover A rose 6 to 90p among miscellaneous industrials on the expected relaxation of hire-purchase restrictions. Thomas Jourdan advanced 8 to 76p, after 78p, in response to the better-than-expected interim results, while J. Bibby followed last week's rise of 40 with a one of 10 to 305p on renewed support ahead of the interim results scheduled for August 4. Duple put on 3 to 38p after Press comment, while Braby Leslie hardened a couple of pence to 66p for a similar reason. Still awaiting acquisition news, Change Wares advanced 3 to 20p, after 21p, and Sceteros added 3 to 81p on news that James Finlay has increased its stake to just over 13 per cent. The leaders traded quietly with the closing tone irregular.

Tridant TV encountered nervous selling awaiting the outcome of the Playboy gaming licence appeal and shed 5 to 69p.

Expectations of the abolishment of hire purchase controls prompted a firmer tone among Motor Distributors which closed with useful gains across the board. Henlys stood out with a rise of 8 to 97p, while similar gains were noted for Hartwells, 60p, and Lookers, 46p, the last-mentioned, currently involved in an acrimonious attempt to gain control of North Eastern rivals Braid, has announced that it holds or has acceptances for around 44 per cent of the equity; Braid held at 58p. Adams and Gibbon, 97p, T. C. Harrison, 74p, and Dorada, 35p all rose 3. Arlington eased the turn to 65p, the lapse into losses being tempered by the maintenance of the dividend. Components, on the other hand, usually trended to lower levels. Lucas eased 5 to 146p, while Dowty gave up 3 at 151p and Jonas Woodhead shed a penny more to 17p.

Firm initially, leading Properties drifted back in the absence of follow-through support to close virtually unchanged. Land Securities were finally unaltered at 292p, after 297p, while MEPC reverted to Friday's closing level of 191p, after 197p.

## Oils drift

Oils were neglected and quotations closed a shade lower. British Petroleum settling 4 cheaper at 272p, and Shell 2 off at 402p. Ultramar gave up 5 to 400p, as did Lasmo, to 300p.

Textiles remained mixed. Further consideration of the interim statement lifted Allied 3 to 185p, while Sirdar continued to respond to speculative support and firmed a couple of pence more to 138p. In contrast, Harold Ingram, which announced an increased full-year deficit last Friday, gave up 2 for a two-day loss of 4 at 15p. Dealings in Yorkshire Fine Woollen Spinners, suspended at 21p on June 24 pending acquisition news, were resumed at 24½p.

Tobaccos came under early pressure following weekend Press comment highlighting price war fears. Bats dipped 14 to 451p. Imperial, which announced the agreed deal on its Country Pride subsidiary with Conagra, rallied to close 2½ off at 93p, after 97p. Rathmans continued to meet profit-taking and fell 3 more to 90p.

## Golds mixed

Gold shares opened lower, in line with the bullion price, and then edged better throughout the day on the back of South African buying. There were one or two good rises, notably Randfontein Estates, up ½ to £27⅞, while Kloof at £13⅞ and Western Deep at £14¼ both closed ¼ up. Among the lower-priced issues, Elandsrand put on 23 to 170p, and Libanon at 881p and Venterspost at 398p ended around 15 to the good.

Nevertheless, falls outnumbered rises, and the Gold Mines index slipped 1.4 to 251.4.

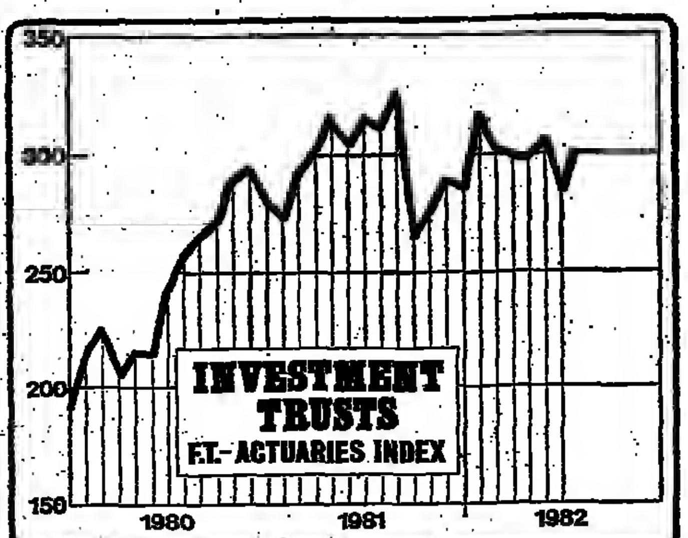
Gold eased on suggestions of a relaxation in Middle East tension, and closed down $10.25 at $353.50.

South African Financials mirrored the mixed performance of Golds, with Gold Fields of South Africa ½ to the good at £32¼ and Johnnies gaining ¼ to £29¼, but Amgold gave up ½ to £32¼.

London Financials lost ground in line with the general trend of the UK equity market, with Charter 6 lower at 192p, Gold Fields down 5 to 407p and Rio Tinto-Zinc 4 off at 416p.

Australians had another quiet day, with most of the leading stocks a few pence lower. Gold Mines of Kalgoorlie reacted on profit-taking and the fall in the gold price to close 10 lower at 195p.

After an active start, business in Traded Options slackened slightly, although volume held up relatively well and 3,188 contracts were done and trade was again well spread among those in issue. Lonrho and Grand Metropolitan attracted 436 and 384 calls respectively, while 308 were struck in Imperial Group.




## FINANCIAL TIMES STOCK INDICES

| | July 26 | July 23 | July 22 | July 21 | July 20 | July 19 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 72.28 | 72.66 | 72.46 | 72.21 | 72.36 | 71.98 | 64.86 |
| Fixed Interest | 76.01 | 72.90 | 72.82 | 72.72 | 72.57 | 71.96 | 66.37 |
| Industrial Ord. | 573.3 | 578.2 | 575.3 | 573.2 | 576.2 | 569.6 | 598.5 |
| Gold Mines | 251.4 | 252.8 | 248.2 | 255.5 | 238.2 | 230.9 | 318.3 |
| Ord. Div. Yield | 5.30 | 5.29 | 5.37 | 5.40 | 5.39 | 5.42 | 5.99 |
| Earnings, Yld.% (full) | 11.16 | 11.16 | 11.24 | 11.40 | 11.39 | 11.44 | 11.48 |
| P/E Ratio (net) (*) | 10.87 | 10.86 | 10.88 | 10.83 | 10.64 | 10.59 | 10.83 |
| Total bargains | 16,785 | 16,984 | 16,921 | 17,405 | 18,002 | 15,177 | 17,457 |
| Equity turnover £m. | — | 156.91 | 132.61 | 134.55 | 180.07 | 124.27 | 101.37 |
| Equity bargains | — | 19,718 | 19,280 | 15,680 | 14,502 | 12,663 | 19,754 |

10 am 581.1; 11 am 575.8. Noon 574.4. 1 pm 572.2. 2 pm 572.5. 3 pm 574.0.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.12.

## HIGHS AND LOWS

| | 1982 High | 1982 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 72.56 (23/7) | 61.89 (6/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 73.01 (26/7) | 62.79 (7/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 594.0 (10/5) | 518.1 (5/1) | 597.5 (30/4/81) | 49.4 (26/6/40) |
| Gold Mines | 302.0 (6/1) | 181.3 (2/6) | 558.9 (22/9/80) | 43.5 (26/10/71) |

## S.E. ACTIVITY

| | July 23 | July 22 |
|---|---|---|
| Daily | | |
| Gilt Edged Bargains | 216.4 | 204.0 |
| Equities Bargains | 85.4 | 78.5 |
| Value | 317.1 | 368.0 |
| 5-day Avrge. | | |
| Gilt-Edged Bargains | 220.3 | 221.4 |
| Equities Bargains | 85.4 | 85.7 |
| Value | 298.1 | 294.6 |

## OPTIONS

| First Deal-ings | Last Deal-ings | Last Declara-tion | For Settle-ment |
|---|---|---|---|
| July 26 | Aug 6 | Oct 28 | Nov 8 |
| Aug 9 | Aug 20 | Nov 11 | Nov 22 |
| Aug 23 | Sept 3 | Nov 25 | Dec 6 |

For rate indications see end of Share Information Service

Calls were arranged in George Sturla, Raglan Property, Berkeley Hambro, Lonrho, Lake and Elliott, Fobel International, Bryant, Comet Radiovision, Whittington Estates, Sangers and Rank Organisation. A put was done in De Beers Deferred, while doubles were taken out in Courtaulds, Lonrho, Lasmo, KCA Drilling, Chemring, Comet Radiovision and Acrow A.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 1 | 58 | 31 |
| Corpns., Dom. and Foreign Bonds | 14 | 11 | 50 |
| Industrials | 262 | 180 | 896 |
| Financial & Props. | 150 | 62 | 299 |
| Oils | 16 | 31 | 61 |
| Plantations | 4 | 4 | 14 |
| Mines | 25 | 39 | 95 |
| Others | 48 | 40 | 55 |
| Totals | 520 | 428 | 1,511 |

# RECENT ISSUES

## EQUITIES

## FIXED INTEREST STOCKS

## "RIGHTS" OFFERS

## ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

| Stock | Closing price pence | Day's change | Stock | Closing price pence | Day's change |
|---|---|---|---|---|---|
| BAT Industries | 451 | −14 | Kleinwort BL | 234 | +6 |
| Barratt Developments | 300 | +6 | NatWest Bank | 452 | +12 |
| Costain | 240 | +10 | Plessey | 527 | — |
| Currys | 178 | +10 | Provident Financial | 136 | +5 |
| Debenhams | 81 | +2 | RTZ | 416 | −4 |
| Imperial Group | 93 | −2½ | Whitbread "A" | 116 | −7 |

## LAST FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of price changes | Friday's closing price pence | Day's change | Stock | No. of price changes | Friday's closing price pence | Day's change |
|---|---|---|---|---|---|---|---|
| Glaxo | 15 | 746 | +5 | Beecham | 10 | 295 | +6 |
| Brown (J.) | 14 | 49½ | +2 | Bowater | 10 | 206 | +1 |
| Consol'd Gold | 12 | 412 | +15 | Kleinwort BL | 10 | 228 | +16 |
| Royal Insur'nce | 11 | 375 | +13 | Plessey | 10 | 527 | +12 |
| ICI | 11 | 312 | +6 | Tarmac | 10 | 320 | +15 |
| RTZ | 11 | 420 | +10 | Unilever | 10 | 640 | +20 |
| BICC | 10 | 318 | +16 | Blue Circle | 9 | 482 | +10 |

# FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

## FIXED INTEREST

# NEW HIGHS AND LOWS FOR 1982

## NEW HIGHS (78)

BRITISH FUNDS (1)

Exchqr. 2½pc 1982

CORPORATION LOANS (9)

## NEW LOWS (35)

# WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on July 26, 1982. In some cases market rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases rates have been calculated from those of foreign currencies to which they are tied.

# CURRENCIES and MONEY

## Dollar nervous

The dollar was slightly firmer in currency markets yesterday in nervous trading. Friday's smaller than expected fall in U.S. money supply tended to act as a brake on recent falls in U.S. rates. The market was also looking towards tomorrow's quarterly refunding programme which could keep interest rates firm. However with the U.S. Administration looking for lower interest rates and further cuts in prime rates, there appeared to be little scope for upward movement in the dollar.

Sterling was mostly firmer despite further cuts in Bank of England money market dealing rates.

DOLLAR — Trade weighted index (Bank of England) 118.7 against 118.3 on Friday and 110.1 six months ago. Three-month Treasury bills 10.42 per cent (13.18 per cent six months ago). Annual inflation rate 7.1 per cent (6.7 per cent previous month)—The dollar tended to ease during the day but still finished up from Friday's closing levels in London. Against the D-mark it finished at DM 2.4085 up from DM 2.3950 and SwFr 2.03 compared with SwFr 2.02. It was also stronger against the yen at Y251 against Y249.0.

STERLING — Trade-weighted index 91.2 against 91.1 at noon and the opening and compared with 91.0 on Friday (90.9 six months ago). Three-month interbank 12½ per cent (14½ per cent six months ago). Annual inflation 9.2 per cent (9.5 per cent previous month)—Sterling opened at $1.7630 against the dollar and was trading around $1.7600 at noon. It dipped to a low of $1.7585 soon after lunch on dollar demand but soon recovered to touch a high of $1.7660 before finishing at $1.7645-1.7655, a rise of 10 points. Against the D-mark it closed at DM 4.2525 up from DM 4.2250 and SwFr 3.5850 compared with SwFr 3.5650. It was also higher in terms of the French franc at FFr 11.83 against FFr 11.77.

D-MARK — EMS member (second weakest). Trade-weighted index unchanged 125.8 from Friday and 121.6 six months ago. Three month interbank 8.90 per cent (10.30 per cent six months ago). Annual inflation 5.8 per cent (5.3 per cent previous month)—The D-mark was slightly weaker overall at yesterday's fixing in Frankfurt. The dollar was fixed at DM 2.4033 only slightly up from Friday's figure of DM 2.4000 and there was no intervention by the Bundesbank. West Germany's latest trade figures provoked little response with the Swiss franc falling to DM 1.1846 from DM 1.1850 while sterling was stronger at DM 4.2330 compared with DM 4.2300. Within the EMS the French franc slipped to DM 35.92 per FFr 100 from DM 35.93 but the Dutch guilder was firmer at DM 90.45 per Fl 100 from DM 90.44.

FRENCH FRANC—EMS member (second strongest). Trade weighted index unchanged 74.4 from Friday and 79.9 six months ago. Three-month interbank 14¼ per cent (15½ per cent six months ago). Annual inflation 13.8 per cent (13.9 per cent previous month)—The French franc was mostly weaker yesterday, showing some reaction to the worst monthly trade deficit recorded for 14 years. The D-mark rose to FFr 2.7833 from FFr 2.7830 and the Belgian franc was higher at FFr 14.5950 per BFr 100 compared with FFr 14.5870. Elsewhere the Swiss franc slipped to FFr 3.2975 from FFr 3.3015 while sterling improved to FFr 11.7895 from FFr 11.7750. The dollar was also stronger at FFr 6.6950 from FFr 6.6800.

ITALIAN LIRA—EMS member (strongest). Trade weighted index 54.0 unchanged from Friday and 55.2 six months ago. Three-month interbank 20¾ per cent (21¾ per cent six months ago). Annual inflation 15.2 per cent (15.5 per cent previous month)—The lira showed little overall change at yesterday's fixing in Milan.

### THE POUND SPOT AND FORWARD

| July 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.7585-1.7660 | 1.7645-1.7655 | 0.05c pm-0.05 dis | — | 0.45-0.55dis | −1.13 |
| Canada | 2.2180-2.2310 | 2.2295-2.2300 | 0.75-0.85c dis | −4.31 | 2.15-2.25dis | −3.95 |
| Nethlnd. | 4.67-4.72 | 4.70½-4.71½ | 1½-1¼c pm | 3.50 | 3½-3¼ pm | 2.97 |
| Belgium | 80.80-81.30 | 81.15-81.25 | 10-20c dis | −2.22 | 45-55 dis | −2.46 |
| Denmark | 14.68-14.78 | 14.76½-14.77½ | 1½-1⅞ore pm | 0.91 | 4½-5¼ dis | −1.37 |
| Ireland | 1.2310-1.2380 | 1.2360-1.2370 | 0.50-0.62p dis | −5.43 | 1.57-1.89dis | −5.76 |
| W. Ger. | 4.22½-4.28 | 4.24½-4.25½ | 1½-1pf pm | 3.53 | 3½-2⅞ pm | 2.94 |
| Portugal | 145.25-146.75 | 146.00-146.50 | 60-250c dis | −12.72 | 200-275 dis | −6.50 |
| Spain | 192.70-193.90 | 193.65-193.85 | 80-105c dis | −3.73 | 335-380 dis | −7.38 |
| Italy | 2,375-2,387 | 2,384½-2,386½ | 13-15lire dis | −7.04 | 46-49 dis | −7.96 |
| Norway | 10.98-11.05 | 11.03½-11.04½ | 5⅜-6⅜ore dis | −6.11 | 11⅞-13 dis | −4.51 |
| France | 11.77-11.84 | 11.82½-11.83½ | 2⅝-3⅝c dis | −3.04 | 11⅞-12⅝ dis | −3.97 |
| Sweden | 10.55-10.63 | 10.62-10.63 | 2¼-3½ore dis | −3.32 | 7¾-8¼ dis | −3.11 |
| Japan | 439-444 | 442½-443½ | 2.30-2.10y pm | 5.96 | 5.30-5.10 pm | 4.70 |
| Austria | 29.75-29.95 | 29.90-29.95 | 11½-8½gro pm | 4.06 | 26½-20½ pm | 3.12 |
| Switz. | 3.56½-3.59½ | 3.58-3.59 | 3-2½c pm | 9.21 | 7½-6½ pm | 7.57 |

Belgian rate is for convertible francs. Financial franc 86.10-86.20. Six-month forward dollar 1.55-1.65c dis, 12-month 3.10-3.30c dis.

### THE DOLLAR SPOT AND FORWARD

| July 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.7585-1.7660 | 1.7645-1.7655 | 0.05c pm-0.05 dis | — | 0.45-0.55dis | −1.13 |
| Ireland† | 1.4245-1.4315 | 1.4260-1.4275 | 0.72-0.62c pm | 5.63 | 1.75-1.55 pm | 4.62 |
| Canada | 1.2600-1.2650 | 1.2635-1.2645 | 0.46-0.49c dis | −4.51 | 0.87-0.91dis | −2.82 |
| Nethlnd. | 2.6540-2.6700 | 2.6685-2.6695 | 0.83-0.73c pm | 3.51 | 2.73-2.68 pm | 4.05 |
| Belgium | 45.80-46.03 | 46.01-46.03 | 8-10c dis | −2.35 | 13-17 dis | −1.31 |
| Denmark | 8.3375-8.3650 | 8.3575-8.3625 | 0.80-0.55ore pm | 0.97 | 0.10-0.60dis | −0.17 |
| W. Ger. | 2.4000-2.4130 | 2.4080-2.4090 | 0.72-0.67pf pm | 3.46 | 2.52-2.47 pm | 4.14 |
| Portugal | 82.50-83.10 | 82.75-82.95 | 45-155c dis | −14.48 | 90-380 dis | −11.34 |
| Spain | 109.45-109.70 | 109.55-109.60 | 50-60c dis | −6.02 | 175-195 dis | −6.75 |
| Italy | 1,349-1,352 | 1,350-1,351 | 7¾-8¾lire dis | −7.22 | 22½-23¼ dis | −6.81 |
| Norway | 6.2390-6.2580 | 6.2530-6.2580 | 5.60-6.00ore dis | −11.13 | 6.80-7.20dis | −4.48 |
| France | 6.6825-6.7175 | 6.7025-6.7075 | 1.60-1.80c dis | −3.04 | 4.50-4.90dis | −2.80 |
| Sweden | 5.9950-6.0250 | 6.0200-6.0250 | 1.80-2.00ore dis | −3.79 | 3.10-3.30dis | −2.13 |
| Japan | 249.30-251.65 | 250.95-251.05 | 1.28-1.20y pm | 5.93 | 3.70-3.60 pm | 5.82 |
| Austria | 16.90-16.97 | 16.96-16.97 | 8.40-6.20gro pm | 4.11 | 19.50-16.50pm | 4.25 |
| Switz. | 2.0240-2.0360 | 2.0295-2.0305 | 1.58-1.50c pm | 9.10 | 4.48-4.40 pm | 8.75 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

### CURRENCY MOVEMENTS

| July 26 | Bank of England Index | Morgan Guaranty Changes% |
|---|---|---|
| Sterling | 91.2 | −39.8 |
| U.S. dollar | 118.7 | +10.6 |
| Canadian dollar | 85.3 | −20.1 |
| Austrian schilling | 118.4 | +28.9 |
| Belgian franc | 95.7 | −1.0 |
| Danish kroner | 82.8 | −14.4 |
| Deutsche mark | 183.8 | +50.0 |
| Swiss franc | 148.1 | +96.7 |
| Guilder | 116.7 | +22.1 |
| French franc | 74.4 | −30.0 |
| Lira | 54.0 | −58.3 |
| Yen | 153.4 | +27.4 |

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

### CURRENCY RATES

| July 26 | Bank rate % | Special Drawing Rights | European Currency Units |
|---|---|---|---|
| Sterling | — | 0.626259 | 0.556637 |
| U.S. $ | 11½ | 1.10278 | 0.979437 |
| Canadian $ | 15.60 | * | 1.23556 |
| Austria Sch. | 6¾ | 18.6480 | 16.6015 |
| Belgian F | 14 | 50.5695 | 44.9464 |
| Danish Kr. | 11 | 9.19994 | 8.17585 |
| D mark | 7½ | 2.65631 | 2.36553 |
| Guilder | 8 | 2.92599 | 2.60579 |
| French F | 14 | 7.38311 | 6.55880 |
| Lira | 19 | 1488.30 | 1322.73 |
| Yen | 5½ | 276.850 | 245.594 |
| Norwgn. Kr. | 9 | 6.86190 | 6.11665 |
| Spanish Pta. | 8 | 120.745 | 107.491 |
| Swedish Kr. | 10 | 6.61227 | 5.87760 |
| Swiss Fr. | 5½ | 2.23776 | 1.99894 |
| Greek Dr'ch | 20½ | 74.9449 | 66.5628 |

*CS/SDR rate for July 23: 1.38888.

### OTHER CURRENCIES

| July 26 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 36,869† | 20,950† | Austria | 29.70-30.00 |
| Australia Dollar | 1.7440-1.7460 | 0.9915-0.9920 | Belgium | 89.50-85.50 |
| Brazil Cruzeiro | 314.74-316.74 | 178.67-179.46 | Denmark | 14.62-14.76 |
| Finland Markka | 8.19-8.20 | 4.6550-4.6600 | France | 11.72-11.82 |
| Greek Drachma | 117.368-123.358 | 67.55-68.05 | Germany | 4.21-4.25 |
| Hong Kong Dollar | 10.412-10.438 | 5.91-5.94 | Italy | 2345-2385 |
| Iran Rial | 144.60 | 82.45 | Japan | 440-450 |
| Kuwait Dinar (KD) | 0.5025-0.5036 | 0.2856-0.2858 | Netherlands | 4.66-4.70 |
| Luxembourg Fr. | 81.15-81.25 | 46.01-46.03 | Norway | 10.90-11.04 |
| Malaysia Dollar | 4.1026-4.1095 | 2.3310-2.3340 | Portugal | 142-156 |
| New Zealand Dlr. | 2.3650-2.3680 | 1.3420-1.3440 | Spain | 189-195 |
| Saudi Arab. Riyal | 6.0560-6.0610 | 3.4345-3.4355 | Sweden | 10.51-10.61 |
| Singapore Dollar | 3.7335-3.7385 | 2.1215-2.1235 | Switzerland | 3.54-3.63 |
| Sth African Rand | 1.9680-2.0000 | 1.1200-1.1220 | United States | 1.74¼-1.77¼ |
| U.A.E. Dirham | 6.4670-6.4730 | 3.6725-3.6735 | Yugoslavia | 99-104 |

† Rate shown for Argentina is commercial. Financial rate: 68,614-68,854 against sterling 38,950-39,000 against dollar. *Selling rate.

### EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU July 26 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9704 | 44.9464 | −0.05 | −0.12 | ±1.5501 |
| Danish Krone | 8.23400 | 8.17585 | −0.71 | −0.78 | ±1.6430 |
| German D-Mark | 2.33379 | 2.36553 | +0.97 | +0.90 | ±1.1325 |
| French Franc | 6.61387 | 6.55880 | −0.83 | −0.90 | ±1.3940 |
| Dutch Guilder | 2.57971 | 2.60579 | +1.01 | +0.94 | ±1.5004 |
| Irish Punt | 0.691011 | 0.686981 | −0.24 | −0.31 | ±1.6691 |
| Italian Lira | 1350.27 | 1322.73 | −2.04 | −2.04 | ±4.1369 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| July 26 | Pound Sterling | U.S. Dollar | Deutschem'k | Japanese Yen | French Franc | Swiss Franc | Dutch Guild' | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.765 | 4.255 | 443.0 | 11.83 | 3.585 | 4.710 | 2386. | 2.230 | 81.20 |
| U.S. Dollar | 0.567 | 1. | 2.409 | 251.0 | 6.705 | 2.031 | 2.668 | 1352. | 1.263 | 46.01 |
| Deutschemark | 0.235 | 0.416 | 1. | 104.2 | 2.782 | 0.843 | 1.108 | 561.0 | 0.524 | 19.09 |
| Japanese Yen 1,000 | 2.257 | 3.984 | 9.599 | 1000. | 26.70 | 8.093 | 10.63 | 5385. | 5.033 | 183.3 |
| French Franc 10 | 0.845 | 1.492 | 3.596 | 374.6 | 10. | 3.030 | 3.981 | 2016. | 1.886 | 68.64 |
| Swiss Franc | 0.279 | 0.492 | 1.186 | 123.6 | 3.300 | 1. | 1.314 | 665.4 | 0.622 | 22.65 |
| Dutch Guilder | 0.212 | 0.375 | 0.903 | 94.06 | 2.518 | 0.761 | 1. | 506.5 | 0.473 | 17.24 |
| Italian Lira 1,000 | 0.419 | 0.740 | 1.783 | 185.7 | 4.952 | 1.503 | 1.974 | 1000. | 0.935 | 34.04 |
| Canadian Dollar | 0.449 | 0.792 | 1.907 | 198.7 | 5.306 | 1.608 | 2.115 | 1070. | 1. | 36.42 |
| Belgian Franc 100 | 1.232 | 2.174 | 5.237 | 545.6 | 14.57 | 4.415 | 5.800 | 2938. | 2.746 | 100. |

### FT LONDON INTERBANK FIXING (11.00 a.m. JULY 26)

| 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 12 13/16 | offer 12 15/16 | bid 13 13/16 | offer 13 15/16 |

The fixing rates are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### EURO-CURRENCY INTEREST RATES (Market closing Rates)

| July 26 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short term | 12⅝-12⅞ | 10¾-11 | 18½-19¼ | 8⅛-8⅜ | ¾-1¼ | 8¾-8⅞ | 14½-15 | 18-12½ | 13½-15 | 15-14 | 6⅜-6⅝ | 10-11½ |
| 7 day's notice | 12½-12¾ | 11⅝-11⅞ | 16¾-17¾ | 8⅛-8⅜ | 6-6½ | 8¾-8⅞ | 14½-14⅞ | 18½-12½ | 13½-15 | 14¼-14½ | 6¾-6⅞ | 8½-11 |
| Month | 12¼-12⅜ | 11⅞-12⅛ | 16⅛-18⅜ | 8⅛-8⅜ | 3⅛-3⅜ | 8⅜-8⅞ | 14⅝-16 | 18¾-12½ | 15½-14½ | 14¼-14½ | 6⅜-6⅝ | 11-12½ |
| Three months | 12-12⅛ | 12⅛-13⅛ | 16¾-16 | 8¾-8⅞ | 4⅛-4⅜ | 8⅜-8⅝ | 16⅝-13⅛ | 12⅞-20½ | 13¾-14¾ | 14½-14¾ | 7⅛-7¼ | 13⅝-14⅞ |
| Six months | 12-12⅛ | 15⅛-14⅛ | 16-16¼ | 2⅛-9⅛ | 6⅛-5⅛ | 2⅛-9⅛ | 16½-17 | 20¾-81¼ | 14¼-15¼ | 14¼-14¾ | 7⅜-7⅝ | 15⅝-17⅛ |
| One Year | 12⅛-12⅛ | 13⅛-14⅛ | 16-16¼ | 2⅛-2⅛ | 5¼-5⅜ | 9 2⅛ | 17¼-17¾ | 21-21⅝ | 14¾-15¼ | 14⅝-14⅝ | 7⅛-7¼ | 17-18⅛ |

SDR linked deposits: one month 10⅞-11¼ per cent; three months 11⅛-11⅞ per cent; six months 12⅛-12⅞ per cent; one year 12¼-12⅝ per cent.
ECU linked deposits: one month 11⅛-11⅛ per cent; three months 11⅞-12¼ per cent; six months 12⅛-12⅛ per cent; one year 12⅝-12⅞ per cent.
Asian $ (closing rates in Singapore): one month 12-12⅛ per cent; three months 12⅛-13⅛ per cent; six months 13⅞-14 per cent; one year 13⅛-14⅛ per cent. Long-term Eurodollar: two years 14¾-15 per cent; three years 15-15¼ per cent; four years 15⅛-15⅞ per cent; five years 15⅝-15⅞ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following rates were quoted for London dollar certificates of deposit: one month 11.55-11.65 per cent; three months 12.25-12.35 per cent; six months 13.15-13.25 per cent; one year 13.10-13.30 per cent.

MONEY MARKETS

## Bank cuts dealing rates again

UK clearing bank base lending rate 12 per cent (since July 14)

Downward pressure was maintained on London interest rates yesterday despite the firming of Eurodollar rates as a result of the smaller-than-expected fall in U.S. M1 money supply last week.

The London money market was again faced with a substantial shortage of day-to-day credit, most of which was rolled forward once more through a sale and repurchase agreement. But the authorities made it fairly clear that they are not opposed to a further reduction in interest rates by making more cuts in bill dealing rates with the market.

A shortage of around 800m was forecast by the Bank of England despite a fall in the note circulation of £190m, and net Exchequer transactions of +£80m. The market was faced with a take-up of Treasury bills and bills maturing in official hands of £433m, added to the unwinding of repurchase agreements on bills totalling £602m.

This was the first of four repurchase agreements of over £500m draining funds from the money market this week. The recent rolling forward of some very large shortages continued yesterday, when the Bank of England gave help of £860m, all before lunch, and mostly by way of further repurchase agreements.

Bill dealing rates were also cut when the authorities made outright purchases of £354m. They bought £44m bank bills in band 1 (up to 14 days maturity) at 11⅞-12 per cent; £217m bank bills in band 2 (15-33 days) at 11¾-11⅞ per cent; £62m bank bills in band 3 (34-63 days) at 11⅝-11¾ per cent; and £31m bank bills in band 4 (64-84 days) at 11⅝-11¾ per cent. The balance of £506m was provided through purchases of bills to be resold to the market on August 3, at rates of 12-12⅛ per cent.

The continued rolling forward of over £500m in debt on one day reflects the reluctance of the discount houses to sell bills outright to the Bank of England on the prospect of another reduction in clearing bank base lending rates. The houses' buying rates for eligible bills also fell by about ⅛ per cent yesterday in line with the cut in official dealing rates. The rate for three-month bank bills declined to 11⅜-11¼ per cent from 11⅝-11½ per cent.

In the interbank market overnight money touched a peak of 13¼-13½ per cent before falling to 8 per cent at the close. Seven-day funds remained very firm throughout, within a range of 12⅞-13⅛ per cent, compared with 12⅞-13⅛ per cent, reducing the immediate chance of a cut in base rates, despite market optimism and the attitude of the authorities.

EUROCURRENCIES

## $ rates rise

Eurodollar rates were firmer yesterday, responding to the fall of only $100m in U.S. M1 money supply last week. The unpredictable nature of the weekly money supply figures was illustrated once again. Earlier estimates pointed to a reduction of around $2bn, while at the same time last week Eurodollars fell sharply following much better figures than expected.

Rates for Eurosterling, Swiss francs and D-marks moved up as Eurodollars rose, and the U.S. currency showed a firmer tone on the foreign exchanges. Forward rates were mixed however, with the premium for the D-mark widening as the spot rate against the dollar weakened, while the upward trend in Euro Swiss rates was enough to reduce the franc's forward premium.

Eurosterling rates eased back after the initial rise, influenced by the continuing downward pressure on UK domestic rates as the Bank of England cut its money market intervention rates once again.

### MONEY RATES

**NEW YORK**

| | |
|---|---|
| Prime rate | 15½-16 |
| Fed funds (lunch-time) | 10¾-11 |
| Treasury bills (13-week) | 10.42 |
| Treasury bills (26-week) | 11.37 |

**GERMANY**

| | |
|---|---|
| Lombard | 9.00 |
| Overnight rate | 8.975 |
| One month | 9.275 |
| Three months | 9.30 |
| Six months | 9.30 |

**FRANCE**

| | |
|---|---|
| Intervention rate | 14.75 |
| Overnight rate | 15.00 |
| One month | 14.6875 |
| Three months | 14.6875 |
| Six months | 14.5625 |

**JAPAN**

| | |
|---|---|
| Discount rate | 5.5 |
| Call (unconditional) | 7.21875 |
| Bill discount (three-month) | 7.15625 |

### LONDON MONEY RATES

| July 26 1982 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount Market Deposits | Treasury Bills ⊕ | Eligible Bank Bills ⊕ | Fine Trade Bills ⊕ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 8-13⅛ | 13 | — | — | 12¼-13 | 11-12⅛ | — | — | — |
| 2 days notice | — | — | 12⅝-12⅞ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 12⅞-13⅛ | 12⅝-12⅞ | — | — | 13 | 12-12¼ | — | — | — |
| One month | 12⅜-12⅛ | 12⅛-12⅛ | 12⅞ | 12¾-12⅛ | 12¼ | 12¾ | 11⅝-11¾ | 11⅝-11⅞ | 11⅝ | 18⅝ |
| Two months | 12⅛-12 | 12⅛-12⅛ | — | 12½-12¼ | 12⅛ | 12⅛ | 11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 12⅛ |
| Three months | 12-11⅞ | 12 12¼ | 12⅛ | 12⅝-12⅛ | 12⅛ | 12⅛ | 11¼-11⅜ | 11¼-11⅜ | 11⅜-11⅛ | 11⅞ |
| Six months | 11⅞-11⅝ | 12-12¼ | 12 | 11⅛-10⅞ | 12⅛ | — | — | — | 11⅛-11⅞ | 11⅝ |
| Nine months | 11⅞ 11⅝ | 12-12¼ | — | 12⅛-11⅞ | 12⅛ | — | — | — | — | — |
| One year | 11⅞ 11⅝ | 12-12¼ | 12 | 12-11¾ | 12⅛ | — | — | — | — | — |
| Two years | — | — | 12 | — | — | — | — | — | — | — |

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 12¾ per cent; four years 12⅞ per cent; five years 13 per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅛-11⅛ per cent; four months trade bills 11⅛ per cent.

Approximate selling rate for one month Treasury bills 11⅛ per cent; two months 11⅞ per cent; three months 11¼-11⅛ per cent. Approximate selling rate for one month bank bills 11⅝-11⅛ per cent; two months 11⅛-11⅛ per cent and three months 11⅛-11⅛ per cent; one month trade bills 12⅛ per cent; two months 11⅞ per cent; three months 11⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from July 1 1982. London and Scottish Clearing Bank Rates for lending 12 per cent. London Clearing Bank Deposit Rates for sums at seven days notice 9 per cent. Treasury Bills: Average tender rates of discount 11.2083 per cent. Certificates of Tax Deposit (Series 5) 12¼ per cent from July 21. Deposits withdrawn for cash 10 per cent.

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED TRUSTS

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هكذا من الاصل

# INSURANCE & OVERSEAS MANAGED FUNDS

**Granville Management Limited**
P.O. Box 73, St. Helier, Jersey. 0534 73933
Granville Inv. Tst. ... |f6.12 6.47| —| 5.02
Next dealing day July 15.

**Guinness Mahon Int. Fund (Guernsey)**
PO Box 188, St. Peter Port, Guernsey. 0481 23506.
US$ Price ... |$19.15 19.79| ...| 8.92
£ Sterling Equivalent |£10.96 11.33| ...| 10.65
S.D.R. Equivalent ... |17.48 18.06| ...| 9.37
Prices at July 22. Next dealing Aug 5.

**Hambro Pacific Fund Mgmt. Ltd.**
2110, Connaught Centre, Hong Kong
Far East July 21 ... |HK$21.31 22.86| ...| —
Japan Fund July 23 |$8.72 9.36| ...| —

**Hambros Fd. Mgrs. (C.I.) Ltd.**
P.O. Box 86, Guernsey. 0481-26521
Capital Reserve Fd.† |£15.11 15.13| ...| 0.23
C.I. Fund ... |232.30 247.40| ...| 3.08
Special Sits. Fund ... |82.4 86.8| ...| 3.11
Sterling Income Fund* |108.7 113.0| ...| 13.27
Dollar Income Fund ... |$0.983 1.027| ...| 13.50
Trans. Nat. Trust ... |$0.877 0.974| ...| 3.50
Intnl. Bond ... |$100.34 105.62| ...| 10.00
Int. Equity ... |$13.78 14.50| ...| 1.83
Int. Svgs. 'A' $US ... |$1.39 1.46| ...| —
Int. Svgs. 'B' ... |$1.47 1.55| ...| —
Galleon Ass. Fund 'A' |$1.021 1.023| ...| —
Galleon Ass. Fund 'B' |$1.003 1.004| ...| —
†Excludes initial charge on small orders.

**Henderson Admin. & Man. (Guernsey)**
7 New St., St. Peter Port, Guernsey 0481 26541/2
American (US cents) |109.1 114.9| ...| —
Ntnl. Res. (U.S. cents) |95.2 98.0| ...| —
Gilt Fund ... |£9.37 9.94| ...| 12.58

**Henderson Baring Group**
501, Gloucester Tower, 11, Pedder St., Hong Kong.
Australian* ... |$7.09 7.64| ...| —
Japan Tech. ... |$15.32 16.37| ...| —
Japan Fund ... |$23.04 24.61| ...| —
Malay Sing. ... |$16.40 17.67| ...| —
Pacific Fd. ... |$11.271 11.834| ...| —
Bond Fd. ... |$9.973 10.471| ...| 10.00
Weekly dealings.

**Hill-Samuel & Co. (Guernsey) Ltd.**
8 LeFebvre St., St. Peter Port, Guernsey, C.I.
Guernsey Tst ... |213.8 228.7| −0.1| 3.37

**Hill Samuel Investment Mgmt. Intnl.**
P.O. Box 63, Jersey. 0534 76029
UK Equities (C.I. Fd.) |150.7 161.3| +4.7| 3.5
UK Gilt Lk. Fxd. Int.) |100.0 106.0| ...| 11.60
Int. Man. (Growth Fd.) |113.8 120.6| +1.3| —
Int. Currency Fund
D Mark ... |20.25 —| +0.01| —
£ Sterling ... |10.10 —| ...| —
Swiss Franc ... |35.02 —| ...| —
U.S. $ ... |20.31 —| +0.02| —
Managed Fund ... |19.74 10.13| −0.01| —

**Quest Fund Man. (Jersey) Ltd.**
P.O. Box 194, St. Helier, Jersey. 0534 27441.
Quest Stlg. Fxd. Int. |£0.770 0.815| ...| 11.00
Quest Intl. Secs. ... |$0.823 0.886| ...| 1.35
Quest Intl. Bd. ... |$0.814 0.862| ...| 12.76
Prices on July 21. Next dealing July 28.

**Quilter/Heinold Commodities**
31-45, Gresham Street, EC2V 7LH. 01-600 4177
Resc. Fd. Int. July 1 |$1.69 ... *$30| ...| 1.9
Next dealing date August 2.

**RBC Investment Managers Limited**
PO Box 246, St. Peter Port, Guernsey 0481-23021.
Intl. Income Fd. ... |$8.81 9.40| ...| —
Intl. Capital Fd. ... |$9.89 10.75| ...| —
North America Fd. ... |$4.13 4.59| ...| —

**Ramineo Managers Ltd.**
P.O. Bx. 1549, Hmltn, Bermuda. (809-29) 2-7979
RAMINCO July 5 ... |$8.85 9.12| ...| —

**Richmond Life Ass. Ltd.**
4 Hill Street, Douglas, I.O.M. 0624 23914
Coin Trust ... |35.2 37.6| ...| —
Diamond Bond ... |68.6 73.4| ...| —
Gold Bond ... |208.1 219.9| −0.4| —
Managed Fund ... |136.7 143.8| ...| —
Petroman Oil Trust ... |125.9 135.2| ...| 11.09
Do. $ ... |2.207 2.346| ...| 11.09
Sapphire Trust ... |162.0 174.1| ...| —
Silver Trust ... |160.8 169.2| −1.1| —
Sterling Deposit Bd. |150.64 158.61| ...| 11.73
UK Gilt Fund ... |137.7 144.9| −0.6| —

**Rothschild Asset Management (C.I.)**
P.O. Box 58, St. Julians Ct., Guernsey. 0481-26741.
O.C. America Fd.* ... |$2.08 2.20| ...| 0.91
O.C. Sm. Co.** ... |133.6 142.1| ...| 2.05
O.C. Commodity† ... |73.8 78.2| ...| 3.80
O.C. Dir. Comdty.* |$29.97 31.82| ...| 3.02
O.C. Hong Kg. Fd.†† |HK$37.43 39.81| ...| —

**O.C. International Reserves Limited
Bel.Francs(Fin.) 770.200 | Italian Lira ... 30.572
Canadian $ ... 33.255 | Singapore $ ... 59.335
D-Mark ... 47.790 | £ Sterling ... 12.953
Dutch Guilder ... 47.865 | Swiss Francs ... 33.519
French Francs ... 136.030 | U.S.$ ... 26.635
*Prices on July 21. Next dealing Aug 6.
†Prices on July 14. Next dealing July 30.
**Daily dealings. ***July 30. ††Dealings every Wednesday.

**Save & Prosper International**
Dealing to
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds
Deutschmark Bd.***‡ |DM9.53 10.07| ...| 5.46
Dlr. Fxd. Int.***‡ |$7.48 7.57| ...| 10.61
St. Fixed***‡ ... |107.1 113.3| ...| 12.36
Yen Bond***‡ ... |1.203 1.269| ...| 3.94

[...]

International Bond* |54.4 58.0| ...| 9.84
*Sub. day every Thurs.

**Negit S.A.**
10a Boulevard Royal, Luxembourg
NAV July 5 ... |$9.34 —| +0.07| —

**N.E.L. International Ltd.**
P.O. Box 119, St. Peter Port, Guernsey, C.I.
Sterling Deposit ... |62.2 65.5| ...| —
Sterling Fixed Interest |62.2 65.4| ...| —
Sterling Managed ... |58.1 63.2| ...| —
Intl. Fixed Interest ... |71.9 78.1| ...| —
Intnl. Managed ... |61.1 66.4| ...| —

**Northgate Unit Tst. Mngrs. (Jersey)**
P.O. Box 82, St. Helier, Jersey. 0534 73741.
Pacific Fd July 21 ... |$9.52 10.17| ...| —

**Pacific Basin Fund**
10a Boulevard Royal, Luxembourg.
NAV ... | £15.47 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

**Phoenix International**
PO Box 77, St. Peter Port, Guern. 0481 26741
Inter-Dollar Fund ... |3.09 3.33| ...| —
Far East Fund ... |24.3 2.63| ...| —
Intl. Currency Fund ... |$1.63 1.76| ...| —
Dollar Fxd. Int. Fund. |$2.82 3.04| ...| —
Ster. Exempt Gilt Fd. |1.76 1.91| ...| —

**Providence Capital International Ltd.**
PO Box 121, St Peter Port, Guernsey 0481 26726/9
UK Stockmarket ... |£0.945 1.016| ...| —
Intl. Stockmarket ... |$0.856 0.923| ...| —
World Technology ... |$0.837 0.900| ...| —
N. Am. Stockmarket ... |$0.849 0.913| ...| —
Far East ... |$0.811 0.872| ...| —
UK Fixed Interest ... |£0.990 1.065| ...| —
Intl. Fixed Int. ... |$0.934 1.005| ...| —
Intl. Currency ... |$0.920 0.990| ...| —
Intl. Money Market ... |$0.952 1.024| ...| —
U.K. Money Market ... |£0.944 1.016| ...| —
Stlg. Mangd. Fd. ... |£0.944 1.015| ...| —
Dollar Mangd. Fd. ... |$0.862 0.927| ...| —
Savings Target Rate $12.0/£11.
Prices on July 21. Next dealing July 28.

**Mercury Internat. Mngt. (Jersey) Ltd.**
7 Library Place, St. Helier, Jsy. CI 0534 37217
Merc. Comm. July 20 |£13.72 14.07| ...| 3.41
Merc. Fr. Tst. July 21 |£12.35 12.67| ...| 1.50
Metals Tst. July 15 ... |£10.95 11.23| ...| —
SMT Ltd. July 22 ... |£11.24 11.53| ...| 3.12
Merc Tran July 16 ... |£13.65 14.00| ...| 3.00

**Wardley Investment Services Ltd.,**
4th Floor, Hutchison House, Hong Kong
Wardley Trust ... |HK$24.52 25.70| ...| 4.79
Wardley Nikko As. Fd. |$36.52 37.95| ...| 3.01
Wardley Bond Trust ... |$9.42 9.60| ...| 9.48
Wardley Japan Trust. |14.79 15.34| ...| 1.17

**World Wide Growth Management◊**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd |$10.62 | +0.06| —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

**Wren Commodity Management Ltd.**
10, St. George's St., Douglas IoM 0624 25015
Wren Com. Fund ... |36.3 37.8| ...| 6.60
Chinese Fund ... |76.3 79.4| ...| 9.30
Precious Metal Fund. |148.8 153.8| ...| 8.30
Vanguard Cmdy. Fd. |41.6 42.7| ...| 2.26
Financial Futures Fd. |110.4 115.0| ...| —
Wren Intl. Fnd.* ... |$0.854 0.889| ...| —

## NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

## INT. BANK AND O'SEAS GOVT. STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

## LOANS

Public Board and Ind.

## LOANS—Continued

| 1982 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **Financial** | | | | |
| 101¼ | 95½ | FFI 14pc '83 | 101¼ | +⅛ | 13.82 | 12.98 |
| 100½ | 94 | FFI(UK Fn)5½pcDb. '80-2 | 100½ | +⅛ | 5.57 | 13.40 |
| 90½ | 80 | Do. 6¾pcDb. '81-84 | 90½ | ...... | 7.02 | 11.78 |
| 94½ | 82½ | Do. 10½pc Uns. Ln. '86 | 94xd | ...... | 11.17 | 12.70 |
| 92 | 78 | Do. 11pc Uns. Ln. '88 | 91½xd | +2 | 12.02 | 12.80 |
| 93 | 78 | Do. 11½pc Uns. Ln. '90 | 91xd | ...... | 12.91 | 13.70 |
| 97 | 82 | Do. 12¾pc Un. Ln. 1992 | 97 | ...... | 13.49 | 13.90 |
| 66½ | 54 | Do. 7¼pcADeb. '89-92 | 66xd | −½ | 10.98 | 13.58 |
| 66 | 53 | Do. 7¼pcADeb. '91-94 | 66 | ...... | 11.37 | 13.20 |
| 74½ | 62 | Do. 9pc 'A' '91-94 | 74½ | ...... | 12.63 | 13.97 |
| 70½ | 57⅛ | Do. 8¾pcLn. '92-97 | 68½xd | ...... | 12.96 | 13.90 |
| | | **Building Societies** | | | | |
| 100½ | 98⅛ | Nat'wide 14¾pc 11.8.82 | 100½xd | ...... | 14.73 | 11.76 |
| 100½ | 98¾ | Do. 14¾pc 25.8.82 | 100½xd | ...... | 14.73 | 13.31 |
| 101 | 99 | Do. 15¾pc 29.9.82 | 100¼ | −⅛ | 15.34 | 13.20 |
| 101⅞ | 99⅛ | Do. 16¼pc 27.10.82 | 100⅝ | ...... | 16.15 | 13.02 |
| 101 | 99½ | Do. 15¾pc 24.11.82 | 100⅝ | ...... | 15.23 | 12.81 |
| 101⅜ | 99¼ | Do. 15¼pc 13.12.82 | 100¾ | ...... | 15.14 | 12.86 |
| 102 | 99¾ | Do. 16¼pc 17.1.83 | 101⅝xd | ...... | 15.99 | 12.41 |
| 102¼ | 100 | Do. 15⅝pc 7.2.83 | 102xd | −⅛ | 15.32 | 11.55 |
| 100½ | 99⅝ | Do. 14¼pc 14.3.83 | 100½ | ...... | 14.18 | 13.43 |
| 100¼ | 99⅝ | Do. 14¾pc 4.4.83 | 100¼ | ...... | 14.14 | 13.09 |
| 101⅛ | 100⅛ | Do. 14¾pc 25.4.83 | 101⅛ | ...... | 14.58 | 13.13 |
| 100¾ | 99⅞ | Do. 13⅞pc 25.5.83 | 100¼ | ...... | 13.77 | 12.89 |
| 100⅞ | 100⅛ | Do. 13⅞pc 3.6.83 | 101 | ...... | 13.80 | 12.72 |

## FOREIGN BONDS & RAILS

| 1982 High | Low | Stock | Price £ | + or − | Div. % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| | | For Antofagasta see "Recent Issues." | | | | |
| 16 | 10 | Chinese 4½pc 1898 | 10 | ...... | — | — |
| 13 | 8 | Do. 5pc 1912 | 8 | ...... | — | — |
| 12 | 6 | Do. 5pc 1913 | 6 | ...... | — | — |
| 10½ | 6 | Do. 5pc '25 Boxer | 6 | ...... | — | — |
| 44 | 42 | Greek 7pc Ass. | 43 | ...... | 3½ | 0.29 |
| 42 | 40 | Do. 6pc 28 Stb. Ass. | 41 | ...... | 3 | 7.58 |
| 38 | 35 | Do 4pc Mixed Ass. | 38 | ...... | 2 | 5.27 |
| 35 | 29 | Hung. '24 Ass. | 29xd | ...... | 2¾ | 9.48 |
| 104 | 87½ | Hydro Quebec 15pc Ln 2011 | 104xd | ...... | 15 | 14.73 |
| 67 | 58 | Iceland 6½pc '83-88 | 67 | ...... | 6½ | 14.20 |
| 95¾ | 80 | Do. 14½pc Ln. 2016 | 92xd | ...... | 14½ | 15.72 |
| 99¼ | 87¾ | Ireland 7½pc '81-83 | 94¾xd | ...... | 7½ | 13.31 |
| 75¾ | 62½ | Do. 9¾pc '91-96 | 75½ | −¼ | 9¾ | 14.49 |
| 250 | 231 | Japan 4pc '10 Ass | 239 | ...... | — | — |
| 77 | 67 | Do. 6pc '83-88 | 70xd | ...... | 6 | 12.97 |
| 161 | 161 | Peru Ass. 2007 | 161 | ...... | 5.22 | 17.52 |
| 93¾ | 79 | Pet. Mx 14½pc '06 | 81xd | ...... | 14½ | 19.86 |
| $79 | $75 | Turin 9pc 1991 | $75 | ...... | 9 | 12.00 |
| DM90 | DM87 | Turin 6½pc 1984 | DM87 | ...... | 6½ | 11.40 |

## AMERICANS

| 1982 High | Low | Stock | Price £ | + or − | Div. Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 18½ | 13½ | Abbott Labs.‖ | 17½xd | −¾ | 84c | — | 2.7 |
| 14¾ | 11¾ | Alcoa 1$ | 13¾ | +¼ | $1.80 | — | 7.2 |
| 25⅛ | 10⅝ | Amax $1 | 12xd | −¼ | 20c | — | 0.9 |
| 15¾ | 10⅛ | Amdahl | 11½ | −⅛ | 40c | — | 1.9 |
| 28⅝ | 21⅛ | Amer. Express $0.60 | 22¾ | +⅛ | $2.20 | — | 5.9 |
| 14⅜ | 10¼ | Amer. Medical Intl. $1 | 13¾ | −⅛ | 52c | — | 2.1 |
| 22⅞ | 16⅛ | Amer. Nat. Res. $1 | 16⅝ | +½ | $3.00 | — | 10.0 |
| 32⅛ | 28 | American T. & T. Co. | 30⅝ | +⅛ | $5.40 | — | 9.3 |
| 10¾ | 909p | Bank America Corpn. | 10⅛ | −⅛ | $1.52 | — | 8.3 |
| 19⅝ | 15¼ | Bankers N.Y. $10 | 16¾ | −⅛ | $2.05 | — | 7.0 |
| 31 | 25⅞ | Bendix Corp. $5 | 27½ | ...... | $3.32 | — | 6.7 |
| 13⅛ | 872p | Beth Steel $8 | 910p | −12 | $1.60 | — | 9.7 |
| 19 | 14⅞ | Brown'g Fer. c16⅔ | 17 | −⅜ | $1.00 | — | 3.3 |
| 12⅛ | 826p | Brunswick Corpn.‖ | 11¼xd | −¼ | $1.00 | — | 9.9 |
| 21¾ | 17¾ | C.P.C. $½ | 19⅝ | +¼ | $2.10 | — | 6.0 |
| 32 | 20 | Caterpillar‖ | 21⅝xd | −⅛ | $2.70 | — | 6.9 |
| 31¼ | 19⅛ | Chase M'htn.$12.5 | 20⅛ | −¼ | $3.40 | — | 9.2 |
| 20¾ | 15 | Chesebrough $1 | 18½ | ...... | $1.72 | — | 5.1 |
| 27⅝ | 177p | Chrysler $6¼ | 433p | ...... | — | — | — |
| 16⅝ | 12⅞ | Citicorp $4 | 14⅞ | −⅛ | $1.72 | — | 6.7 |
| 14⅞ | 10⅝ | City Inv. $1.25 | 11¼ | ...... | $1.70 | — | 8.4 |
| 21⅛ | 16⅝ | Do. Cm. Prf. B $1 | 17⅝ | +⅛ | $2.00 | — | 6.3 |
| 10¾ | 965p | Colgate-P. $1 | 10xd | ...... | $1.20 | — | 6.6 |
| 29⅞ | 12¼ | Colt Inds. $1 | 13¼ | +¼ | $1.80 | — | 7.6 |
| 21¼ | 14¼ | Cons. Foods $1⅓ | 21 | ...... | $2.12 | — | 5.6 |
| 19½ | 998p | Cont. Illinois $10 | 10⅛ | −⅛ | $2.00 | — | 10.9 |
| 15 | 10 | Crown Zell. $5 | 10½ | +⅛ | $2.30 | — | 12.2 |
| 515p | 335p | Damson Oil US$0.4 | 385p | ...... | — | — | — |
| 16½ | 13⅜ | Dana Corp. $1 | 13½ | ...... | $1.60 | — | 6.6 |
| 17½ | 13½ | Eaton Crp. $0.50 | 14 | +⅛ | $1.72 | — | 6.8 |
| 28⅛ | 22⅞ | Esmark $1 | 24 | +⅛ | $1.84 | — | 4.2 |
| 16½ | 14½ | Exxon ‖ | 15½xd | −¼ | $3.00 | — | 13.0 |
| 886p | 572p | Fin. Corp. America | 773p | ...... | 68c | — | 4.9 |
| 10¾ | 650p | First Chicago $5 | 865p | ...... | $1.20 | — | 7.7 |
| 15⅞ | 837p | Fluor Corp. $⅝ | 853xd | +2 | 80c | — | 5.2 |
| 14⅛ | 800p | Ford Motor $2 | 13¾ | +⅛ | — | — | — |
| 17½ | 12⅞ | GATX $⅝ | 12⅞xd | −¼ | $2.40 | — | 10.3 |
| 39⅞ | 29½ | Gen. Elect. $2½ | 38½ | ...... | $3.20 | — | 5.5 |
| 21⅞ | 16¾ | Gillette $1 | 21⅞ | +⅛ | $2.30 | — | 5.8 |
| 19⅛ | 14¾ | Gulf Oil‖ | 14⅞ | ...... | $2.80 | — | 10.9 |
| 42⅛ | 33¼ | Honeywell $1.50 | 39xd | ...... | $3.60 | — | 5.1 |
| 20⅝ | 12⅞ | Hutton (E. F.) $1 | 16¾ | ...... | 90c | — | 2.6 |
| 38⅞ | 29⅜ | I.B.M. Corp. $1.25 | 37¾ | ...... | $3.44 | — | 5.1 |
| 30 | 21⅞ | Ingersoll-R $2 | 24 | −⅜ | $3.56 | — | 8.2 |
| 769p | 619p | I. U. International‖ | 752p | ...... | $1.15 | — | 8.5 |
| 16⅛ | 12⅞ | Int. Tel. & Tel. $1 | 13⅝ | +¼ | $2.68 | — | 11.1 |
| 925p | 670p | Kaiser Al. $⅓ | 725p | −5 | 60c | — | 9.6 |
| 14⅝ | 10¼ | Lone Star Inds. | 11⅝ | ...... | $1.90 | — | 9.0 |
| 17⅞ | 13⅛ | Louisiana Land $0.15 | 15⅝ | +⅛ | $1.80 | — | 6.5 |
| 902p | 635p | Lowes US$0.50 | 902p | +32 | 48c | — | 2.9 |
| 18⅝ | 15⅛ | Manf. Han. US$7.50 | 16xd | ...... | $2.92 | — | 10.1 |
| 18½ | 13⅛ | Merrill Lynch $1 | 15⅜ | ...... | $1.28 | — | 9.6 |
| 32⅞ | 26⅛ | Morgan (JP) US$2.5 | 28½xd | −½ | $3.40 | — | 6.6 |
| 12½ | 948p | Norton Simon Inc. $1 | 11⅝ | −¼ | $1.08 | — | 5.1 |
| 24¼ | 17⅛ | Quaker Oats US$5 | 24 | ...... | $1.80 | — | 9.2 |
| 20⅛ | 14 | Rep. N.Y. Corp. $5 | 14xd | −⅛ | ♦$1.40 | — | 5.6 |
| 850p | 511p | Rexnord $5 | 526xd | +15 | $1.08 | — | 11.4 |
| 19⅝ | 19 | Rockwell Intl. $1 | 19⅛ | +⅛ | $1.56 | — | 4.5 |
| 454p | 312p | Saul (B. F.) $1 | 320p | +8 | 20c | — | 3.5 |
| 24½ | 15 | Shell Oil $1 | 20 | −¼ | $1.80 | — | 5.0 |
| 536p | 413p | Simplicity Patt. | 440p | ...... | 56c | — | 7.0 |
| 18⅜ | 12⅞ | Sperry Corp. $0.50 | 12½ | +⅛ | $1.92 | — | 8.5 |
| 24 | 16⅛ | Sun Co. Inc. | 17¼ | +⅛ | $2.30 | — | 7.9 |
| 30¼ | 25¼ | TRW Inc. $1¼ | 30⅝ | −⅛ | $2.60 | — | 9.7 |
| 17⅝ | 13⅜ | Tenneco $5 | 14 | +½ | $2.60 | — | 10.3 |
| 120 | 89 | Do. 10% Ln. Stk. 91-95 | 95 | ...... | 10% | — | 15.9 |
| 15 | 10⅜p | Tesoro Pt. US$0.16⅔ | 10⅜p | ...... | 40c | — | 2.1 |
| 17⅜ | 15¾ | Texaco $6.25 | 15¾ | ...... | $3.00 | — | 10.6 |
| 21⅛ | 16 | Time Inc. $1 | 17 | +⅛ | $1.00 | — | 3.3 |
| 12⅛ | 943p | Transamerica $1 | 959p | +16 | $1.40 | — | 8.1 |
| 27¼ | 23⅛ | Union Carbide $1 | 24⅝ | +½ | $3.40 | — | 7.7 |
| 24¼ | 17⅝ | Utd. Tech. $US5 | 23⅞ | ...... | $2.40 | — | 5.6 |
| 15¾ | 10⅜ | U.S. Steel $1 | 10⅜ | ...... | $2.00 | — | 10.7 |
| 11¾ | 825p | Woolworths $3½ | 11½ | ...... | $1.80 | — | 8.6 |
| 11¼ | 775p | Zapata Corp. 25c | 850pxd | +13 | 72c | — | 4.7 |

## CANADIANS

| 1982 High | Low | Stock | Price £ | + or − | Div. Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 12⅞ | 774p | Bk. Montreal $2 | 862p | −20 | $1.96 | — | 10.5 |
| 13⅜ | 897p | Bk. Nova Scot. $1 | 10⅝ | −⅛ | $1.84 | — | 0.0 |
| 907p | 770p | Bell Canada $8⅓ | 789p | −8 | ♦$1.96 | — | 11.5 |
| 860p | 478p | Bow Valley‖ | 666p | +10 | 15c | — | 1.0 |
| 15¾ | 571p | Brascan‖ | 643p | −30 | $1.80 | — | 12.9 |
| 12⅞ | 766p | Can. Imp. Bk. $2 | 831p | ...... | $2.08 | — | 11.6 |
| 18⅜ | 13⅛ | Can. Pacific $5 | 12⅛ | +⅛ | $1.90 | — | 7.2 |
| 30⅝ | 26¼ | Do. 4pc Deb. £100 | 29¼xd | ...... | 4% | — | 13.4 |
| 826p | 581p | Can. P. Ent.‖ | 660p | +10 | $1.12 | — | 7.8 |
| 822p | 495p | Gulf Can.‖ | 643p | +9 | 44c | — | 5.2 |
| 700p | 328p | Hawker Sid. Can.‖ | 417p | +10 | 96c | — | 10.6 |
| 13⅝ | 10½ | Hollinger $5 | 10⅝ | ...... | s$2.20 | — | 9.5 |
| 10⅝ | 649p | Hudson's Bay ‖ | 800p | +59 | 60c | — | 5.5 |
| 11¼ | 916p | Imperial Oil‖ | 11¼ | +⅛ | $1.40 | — | 5.7 |
| 762p | 483p | Inco‖ | 507p | −7 | $US20c | — | 2.1 |
| 900p | 625p | Int. Nat. Gas $1 | 650p | ...... | $1.10 | — | 7.8 |
| 151p | 88p | Massey Ferg.‖ | 100p | ...... | $— | — | — |
| 18 | 12⅛ | Rio Algom | 14½ | +½ | $1.50 | — | 4.8 |
| 11⅞ | 822p | Royal Bk. Can. $1 | 947xd | +9 | $2.00 | — | 9.7 |
| 30½ | 25½ | Seagram Co. C$1 | 27⅔ | −⅓ | US$1.60 | — | 3.4 |
| 14⅛ | 994p | Tor. Dom. Bk. $1 | 11½ | ...... | $2.00 | — | 8.0 |
| 11½ | 743p | Trans Can. Pipe | 868p | +9 | $1.16 | — | 6.2 |

## BANKS AND HIRE PURCHASE

| 1982 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 282 | 200 | ANZ $A1 | 203 | −2 | Q28c | 3.3 | 8.3 | 3.7 |
| 265 | 205 | Alexanders D. £1 | 265 | +5 | 18.5 | — | 10.2 | — |
| £63½ | £56½ | Algemene Fl.100 | £60 | ...... | Q26% | 1.8 | 9.0 | 6.1 |
| 100 | 75 | Allied Irish | 86 | +2 | Q65.3% | 4.0 | 10.8 | 3.0 |
| •16½ | 10¼ | Ansbacher (H.) 5p | 13 | ...... | 0.35 | — | 3.8 | — |
| 260 | 200 | Bk. Ireland £1 | 225 | ...... | Q29.6% | — | 10.7 | — |
| 3½ | 2 | Bk. Leumi $0.1 | 2 | ...... | hQ8% | — | 1.0 | — |
| •227 | 180 | Bk. Leumi (UK) £1 | 180 | −10 | 10.15 | — | 8.2 | — |
| 180 | 145 | Bk. N.S.W. $A1 | 150 | +2 | Q24c | 2.9 | 9.6 | 3.6 |

## BANKS & H.P.—Cont.

Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## CHEMICALS, PLASTICS—Cont.

## DRAPERY AND STORES

## ELECTRICALS

## ENGINEERING MACHINE TOOLS

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC.

## FOOD, GROCERIES—Cont.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum



## MINES—Continued

### Central African

| 1982 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 120 | 75 | Falcon Rh.50c | 100 | +5 | Q25c | 10.3 | 18.6 |
| 33 | 19 | Wankie Col. Z$1 | 21 | ...... | Q5c | 1.2 | 11.5 |
| 21 | 12 | Zam.Cpr.SBD0.24 | 15 | ...... | — | — | — |

### Australian

| 1982 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 23 | 10 | ACM 20c | 15½ | ...... | — | — | — |
| 7 | 1½ | Argosy Gold NL 25c | 2½ | ...... | — | — | — |
| 151 | 59 | Bond Corp. | 62 | ...... | Q013c | 2.3 | 10.5 |
| 82 | 58 | Bougainville I Kina | 74 | −4 | Q6½c | 1.2 | 5.4 |
| 192 | 147 | CRA 50c | 182 | −4 | Q5c | — | 1.6 |
| 16 | 10 | Carr Boyd 20c | 14 | ...... | — | — | — |
| 56 | 22 | Central Pacific | 29 | ...... | — | — | — |
| 380 | 152 | Crusader Oil | 240 | ...... | — | — | — |
| 26 | 10 | Cultus Pacific N.L. | 11½ | ...... | — | — | — |
| 27 | 14 | Eagle Corp. 10c | 16 | ...... | — | — | — |
| 23 | 9 | Endeavour 20c | 10 | ...... | — | — | — |
| 368 | 150 | G. M. Kalgoorlie 25c | 195 | −10 | Q32½c | 0.9 | 10.1 |
| 10 | 2½ | Great Eastern | 4 | ...... | — | — | — |
| 63 | 30 | Greenbushes Tin 50c | 34 | ...... | Q6c | 1.5 | 10.6 |
| 170 | 134 | Hampton Areas 10p | 168xd | ...... | 3.0 | ♦ | 2.6 |
| 32 | 11½ | Haoma N.W. | 13½ | ...... | — | — | — |
| 22 | 9 | Intl. Mining | 12 | ...... | — | — | — |
| 30 | 9 | Jimberlana (50cFP) | 9 | ...... | — | — | — |
| 9½ | 2¾ | Kalbara Min 20c | 3 | ...... | — | — | — |
| 100 | 38 | Kitchener NL 25c | 50 | ...... | — | — | — |
| 14 | 9 | Leichardt Expln. | 9 | ...... | — | — | — |
| 190 | 92 | Meekatharra 25c | 120 | +2 | — | — | — |
| 44 | 15 | Metals Ex. 50c | 17 | −1 | Q3c | 1.7 | 10.6 |
| 28 | 9 | Metramar Mns. 20cts | 12 | ...... | — | — | — |
| 10 | 3 | Mid East Mins. NL | 4½ | ...... | — | — | — |
| 202 | 143 | M.I.M. Hldgs. 50c | 175 | +1 | t05c | ♦ | 1.7 |
| 57 | 5 | Mincorp 20c | 5½ | ...... | — | — | — |
| 8 | 3 | Minefields Expl. 25c | 3 | −2 | — | — | — |
| 19 | 14 | Newmetal 20c | 17 | ...... | — | — | — |
| 30 | 8½ | Nickelore N.L. | 10 | ...... | — | — | — |
| 160 | 92 | North B. Hill 50c | 114 | +2 | ‡Q13c | 1.0 | ‡ |
| 84 | 10 | Nth. Kalgurli | 15½ | −1½ | — | — | — |
| 123 | 67 | Oakbridge 50c | 80 | ...... | tQ5½c | 1.9 | 4.9 |
| 90 | 30 | Otter N. L. | 30 | ...... | — | — | — |
| 98 | 34 | Pacific Copper | 56 | −2 | — | — | — |
| 150 | 74 | Pancont'l 25c | 86 | +4 | — | — | — |
| 62 | 30 | Paringa M&Ex.5p | 30 | ...... | ♦— | — | — |
| 352 | 211 | Peko-Wallsend 50c | 258 | −6 | ‡Q15c | — | ‡ |
| 31½ | 14 | Pelsart Res NL | 14 | −1 | — | — | — |
| 273 | 120 | Renison 50c | 128 | −6 | Q05c | — | 2.4 |
| 205 | 105 | Do. Dfd. | 120 | ...... | — | — | — |
| 56 | 30 | Seltrust A | 36 | ...... | ♦— | — | — |
| 27 | 9 | Southern Pacific | 11 | −1 | — | — | — |
| 46 | 24 | Swan Resources 20c | 27 | ...... | — | — | — |
| 65 | 22 | Vulcan Mins 20c | 28 | ...... | — | — | — |
| 11 | 2½ | West Coast 25c | 5 | ...... | — | — | — |
| 50 | 6 | Westn. Cont 50c | 8 | ...... | — | — | — |
| 247 | 150 | Westn. Mining 50c | 183 | −2 | ‡Q14c | 1.6 | ‡ |
| 34 | 12 | Whim Creek 20c | 12 | ...... | — | — | — |
| 30 | 12 | York Resources | 14 | ...... | — | — | — |

### Tins

| 1982 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 11½ | 7 | Amal Nigeria 1p | 8 | −¼ | ♦— | — | — |
| 255 | 145 | Ayer Hitam $M1 | 145 | ...... | hQ135c | 0.7 | ‡ |
| 140 | 55 | Geevor | 55 | ...... | — | — | — |
| 12 | 10 | Gold & Base 12½p | 10 | ...... | — | — | — |
| 650 | 310 | Gopeng Cons. | 310 | ...... | 17.0 | 1.2 | 7.8 |
| 525 | 330 | Hongkong | 430 | ...... | 21.0 | ♦ | 7.0 |
| 330 | 155 | Idris 10p | 330 | ...... | ♦— | — | — |
| 24 | 13 | Jantar 12½p | 15 | ...... | 1.5 | 2.8 | 14.3 |
| 130 | 60 | Kamunting $M0.50 | 60 | −5 | hQ27c | 0.8 | 10.9 |
| 426 | 366 | Killinghall $M1 | 389 | ...... | tQ66c | ♦ | 3.8 |
| 98 | 56 | Malaysia Mng. 10c | 55 | ...... | Q17.1c | 1.6 | 7.4 |
| 42 | 24 | Pahang | 24 | ...... | ‡0.65 | 0.8 | ‡ |
| 450 | 280 | Pengkalen 10p | 340 | ...... | ‡10 | — | 0.4 |
| 330 | 200 | Petaling $M1 | 290 | ...... | tQ60c | ♦ | ‡ |
| 200 | 140 | Sungei Besi $M1 | 140 | ...... | Q31c | 1.1 | ‡ |
| 110 | 65 | Supreme Corp. $M1 | 65 | ...... | Q15c | ♦ | 5.8 |
| 110 | 98 | Tanjong 15p | 98 | ...... | 3.5 | 3.7 | 5.1 |
| 85 | 55 | Tongkah H. Tin 15m | 55 | ...... | hQ25c | 1.3 | ‡ |
| 255 | 150 | Tronoh $M1 | 150 | −5 | hQ50c | 2.3 | 7.9 |

For Messina see South Africans

### Miscellaneous

| 1982 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 40 | 20 | Anglo-Dominion | 25 | ...... | — | — | — |
| 16½ | 12 | Burma Mines 10p | 12 | ...... | 0.55 | 1.0 | 6.5 |
| 130 | 27 | Colby Res. Corp. | 55 | ...... | — | — | — |
| 292 | 170 | Cons. Murch. 10c | 250 | ...... | ‡Q50c | 1.9 | ‡ |
| 8 | 4 | ‡Explaura Gold | 4 | ...... | — | — | — |
| 105 | 55 | Highwood Res. | 70 | +5 | — | — | — |
| 255 | 160 | Northgate C$1 | 180 | ...... | — | — | — |
| 468 | 344 | R.T.Z. | 416 | −4 | 16.0 | 2.1 | 5.5 |
| £100½ | £84 | Do 9½% Cnv.Ln. 95-2000 | £92½ | +½ | Q9½% | 30.0 | 9.7 |
| 20 | 11 | Sabina Inds. C$1 | 12 | ...... | — | — | — |
| 44 | 27 | ‡Southwest C. 10p | 32 | ...... | — | — | — |
| 500 | 270 | Tara Exptn. $1 | 300 | −15 | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- ♥ Rate applicable to non-Zimbabwean residents.
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xδ ex capital distribution.

## REGIONAL AND IRISH STOCKS

*The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.*

| | | | IRISH | | |
|---|---|---|---|---|---|
| Albany Inv. 20p | 41 | ...... | Conv. 9% '80/82 | £98¾ | ...... |
| Bertrams | 17# | ...... | Nat. 9¾% 84/89 | £72⅛ | ...... |
| Bdg'wtr. Est. 50p | 490 | +5 | Fin. 13% 97/02 | £76¼ | ...... |
| Craig & Rose £1 | £129½ | ...... | Alliance Gas | 82 | −4 |
| Finlay Pkg. 5p | 26 | ...... | Arnott | 200 | −10 |
| Graig Ship. £1 | £23 | −1 | Carroll (P.J.) | 71 | ...... |
| Higsons Brew. | 98 | +3 | Concrete Prods. | 50 | ...... |
| Holt (Jos) 25p | 820 | ...... | Heiton (Hldgs.) | 37 | ...... |
| I.O.M. Stm. £1 | 95 | ...... | Irish Ropes | 34 | ...... |
| Pearce (C. H.) | £10½ | ...... | Jacob | 65 | ...... |
| Peel Hldgs. | 151 | ...... | T.M.G. | 5 | ...... |
| Sheff. Refrshmt | 88 | ...... | Unidare | 45 | ...... |
| Sindall (Wm.) | 225 | ...... | | | |

## OPTIONS

### 3-month Call Rates

| | | | | | |
|---|---|---|---|---|---|
| **Industrials** | | House of Fraser | 15 | Utd. Drapery | 7 |
| Allied-Lyons | 8 | I.C.I. | 24 | Vickers | 16 |
| BOC Intl. | 15 | "Imps" | 8 | Woolworths | 5 |
| B.S.R. | 8½ | I.C.L. | 5½ | | |
| Babcock | 18 | Ladbroke | 15 | **Property** | |
| Barclays Bank | 42 | Legal & Gen. | 19 | Brit. Land | 7½ |
| Beecham | 22 | Lex Service | 10 | Cap. Counties | 10 |
| Blue Circle | 40 | Lloyds Bank | 42 | Land Secs. | 28 |
| Boots | 19 | "Lofs" | 6½ | MEPC | 20 |
| Bowaters | 24 | London Brick | 7 | Peachey | 14 |
| Brit. Aerospace | 17 | Lucas Inds. | 23 | Samuel Props. | 11 |
| B.A.T. | 38 | "Mams" | 12 | Town & City | 3½ |
| Brown (J.) | 7 | Mrks. & Spncr | 12 | | |
| Burton Ord. | 15 | Midland Bank | 30 | **Oils** | |
| Cadburys | 9 | N.E.I. | 9 | Brit. Petroleum | 26 |
| Courtaulds | 5 | Nat. West. Bank | 50 | Burmah Oil | 10 |
| Debenhams | 7 | P & O Dfd. | 14 | Charterhall | 6 |
| Distillers | 15 | Plessey | 32 | KCA | 14 |
| Dunlop | 6½ | Racal Elect. | 35 | Premier | 5 |
| Eagle Star | 31 | R.H.M. | 6½ | Shell | 30 |
| F.N.F.C. | 4 | Rank Org. Ord. | 20 | Tricentrol | 22 |
| Gen. Accident | 28 | Reed Intnl. | 26 | Ultramar | 35 |
| Gen. Electric | 65 | Sears | 6 | | |
| Glaxo | 42 | T.I. | 15 | **Mines** | |
| Grand Met | 17 | Tesco | 5½ | Charter Cons. | 23 |
| G.U.S. 'A' | 45 | Thorn EMI | 42 | Cons. Gold | 45 |
| Guardian | 25 | Trust Houses | 11 | Lonrho | 7 |
| G.K.N. | 15 | Turner & Newall | 11 | Rio T. Zinc | 42 |
| Hawker Sidd | 30 | Unilever | 55 | | |

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 25

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Tuesday July 27 1982



# Saudi bank row may involve $300m

BY ALAN FRIEDMAN IN LONDON AND JONATHAN SHARP IN BANGKOK

THE NUMBER of banks affected by the closure last week of an obscure Saudi Arabian money-changing and travellers' cheque business is rising. Yesterday it emerged that the total international exposure was approaching $300m (about £170m).

Abdullah Saleh al Rajhi's 40-branch business, in Ad Dammam, was closed by Saudi authorities last week and all its commercial activities were suspended.

The business, which had dealing in gold and silver bullion, foreign exchange and travellers' cheque sales, is being sued by the Thomas Cook travellers' cheque division of Midland Bank for $3.5m of debt.

In addition, Kredietbank of Belgium, third largest Belgian bank, said on Friday it was taking legal action against Abdullah Saleh al Rajhi and was confident it would recover the full amount owed as a result of speculation in the silver market. Kredietbank's nominal exposure was believed to be about $210m.

The Kredietbank claim is now thought to be about $50mn more than earlier indicated because of the financing costs related to silver stocks in the past two years. The bank reiterated its confidence yesterday that it would recover its full exposure.

In Bangkok it was learned that the Bangkok Bank, Thailand's largest, is owed about $3.5m by the Saudi money-changer, which has been used by Thai workers to remit earnings to Thailand.

The authorities have warned workers in Saudi Arabia not to use the services of Abdullah Saleh al Rajhi, and a Thai Foreign Ministry spokesman said yesterday that the Bangkok Bank had several times sought repayment of debts without receiving any response.

According to Thai officials Abdullah Saleh al Rajhi had failed since May to honour drafts it sold to Thai workers.

They said thousands of Thais who used the Saudi money changed would be affected. The bank had frozen all drafts issued through the money-changer since May 28.

National Westminster Bank in Yondon is said to be making a 1982 provision for $1.2m of losses stemming from an unsecured foreign exchange line of credit extended from the UK to Abdullah Saleh al-Rajhi.

Lloyds Bank International is understood to have had foreign exchange dealings with the Saudi company. It is not known whether the ties have been severed.

American Express said last night that it closed its business with the money changer last November.

Mr Tommaso Zanzotto, general manager of Amex consumer financial services for Europe and the Middle East, said: "They were not following the kind of controls we place on our business."

Amex had links with both the Dammam concern and a Kuwait company owned jointly by Abdullah Saleh al Rajhi and Abdul Aziz al Jassar, a general manager of the Burgan Bank in Kuwait.

In Kuwait several bankers said yesterday that they were monitoring this joint venture business closely. "We are watching their account like a hawk," said one Kuwaiti banker.

The Al Rajhi Company for Currency Exchange and Commerce, a Riyadh 160-branch group chaired by Abdullah Saleh al Rajhi's father, has stated that under no circumstances would it provide help to the Dammam business.

A spokesman for the family in London said the Dammam company had been "disowned" by the family and had no connections with it.

# Whitbread in $155m Nabisco deal

BY TERRY BYLAND IN NEW YORK AND GARETH GRIFFITHS IN LONDON

WHITBREAD has reached a tentative agreement to buy the wines and spirits division of Nabisco Brands, the New York food group, for about $155m (£89m). It hopes to complete the deal by the early autumn.

Nabisco said yesterday the sale of the Julius Wile Sons wine company and Fleischmann Distilling represented a further step in the restructuring of the group's operations after the merging of Nabisco and Standard Brands last year.

The company's takeover bid for Huntley and Palmer, the UK biscuit manufacturer, is the subject of a current Monopolies and Mergers Comission investigation.

Whitbread made the initial move as part of its strategy to achieve a third of group profits from outside the UK by 1990.

The brewery, which in 1981/1982 made pre-tax profits of £73.2m on sales of £841.7m, had been looking for an acquisition in the U.S. for some time. Its only U.S. subsidiary was a small California-based whisky company.

Whitbread was unwilling to comment about the acquisition yesterday and it said the final price had yet to be agreed. It is not clear whether the company is interested also in buying the Nabisco beer distribution agency which handles the Carlsberg franchise in the U.S.

Julius Wile distributes some well known brands in the U.S., including Bollinger Champagne, Deinhard German wines and Antinori Italian wines. Sales have been in line with the rapid expansion of the U.S. wine market.

Fleischmann distributes gin, vodka, Canadian whiskey and Scotch. Its sales have been flat for the past year. Fleischmann provided the original link between Whitbread and Nabisco as it took Scotch supplies from Long John International, Whitbread's whisky subsidiary.

Fleischmann has 4 per cent of the U.S. spirits market and in 1981 sold 6.2m cases.

Whitbread views the acquisition as providing a ready-made distribution network in the U.S. The price is believed to include a fairly high premium for goodwill.

The deal will probably be financed by a mixture of loans raised from both U.S. and UK banks.

Detailed volume figures are not available on the acquisition. Nabisco will leave the wines and spirits market altogether and concentrate on its bakery and confectionery division.

# Rees warns of 'repercussions' over steel

BY IVOR OWEN

SOME 200,000 tonnes of British steel exports, mostly products of the nationalised British Steel Corporation, will be in jeopardy if the tariff increases proposed by the U.S. are implemented, Mr Peter Rees, Trade Minister of State, told the Commons yesterday.

He gave no encouragement to demands for retaliatory action by Britain against U.S. exports and insisted it would be wrong to talk in terms of a "trade war."

But be warned that, if the latest attempts by the EEC fail to produce an agreement which permits "proper entry" for British Steel products to the U.S., there are likely to be repercussions over a wider area of trade.

He singled out for special mention the ministerial meeting of the international trade body, GATT, in November. This is a meeting, he said, to which the U.S. Administration attached considerable importance.

Mr Rees accused the U.S. of going back on earlier understandings by refusing to enter into discussions on a bilateral understanding with Britain, when it proved impossible to reach an agreement with the EEC last Saturday.

It was also disclosed at Westminster that the Minister of State had a 45-minute acerbic trans-Atlantic telephone discussion with Mr Lionel Olmer, the U.S. Under-Secretary of Commerce for international trade, from Brussels, late on Saturday night.

Giles Merritt adds from Brussels: Two sets of talks on the EEC steel exports restraint deal, to be negotiated soon with the U.S., opened in Brussels yesterday. One involved EEC governments and the other was between the community's major steelmakers. Both meetings concentrated on the scale of the export cuts to be offered and the serious internal EEC adjustments which would result.

U.S. Government experts are due in Brussels tomorrow for preliminary discussions to the Washington talks in August on a steel pact.

Editorial Comment, Page 14
Dual EEC talks, Page 4
Hopes for compromise, Page 9

# Howe says no to early CBI talks

By John Elliott, Industrial Editor

LEADERS OF the Confederation of British Industry have failed to persuade Sir Geoffrey Howe, Chancellor of the Exchequer, to meet them to discuss the economic situation before Parliament rises for the summer recess on Friday.

Instead the state of the economy will be put on the agenda of a Treasury meeting already arranged to take place on August 5 to discuss the CBI's current round of conferences on pay restraint.

CBI leaders are worried about the prospect of another slide into recession in some areas and about the almost total absence of any sign of general recovery.

Urged on by leaders of their regional organisations, many of whom want the CBI headquarters to adopt a sharper profile, they will continue to build up pressure on the Government for immediate help to be given to industry.

Many industrialists believe that the Government will have to provide help in next spring's budget because of the approaching general election. But that could be too late to stop an increasing number of redundancies and factory closures unless further substantial help is introduced in the autumn to cut business costs.

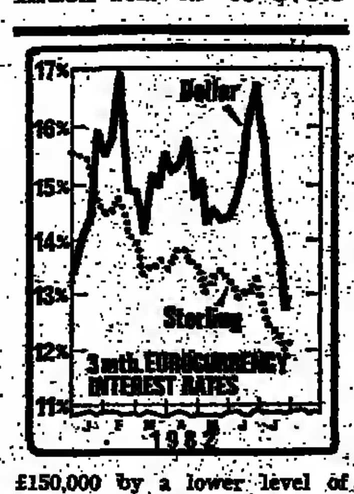
Meanwhile, the CBI last night welcomed yesterday's announcement of relaxations of hire-purchase restrictions.

Sir Terence Beckett, CBI director general, warned that the concession "does not meet the need to reduce the cost burdens on all business sectors."

However, the announcement of the concession made it easier for the CBI to accept Sir Geoffrey's refusal of a meeting this week. He said has a full diary, which the CBI accepted.

## THE LEX COLUMN

# Whitbread stirs a U.S. cocktail




Nabisco Brands has been sorting itself out determinedly since last year's Nabisco/Standard Brands merger, as recent divestments and the bid for Huntley and Palmer have shown. At the end of the list of divisions in the merged group's 1981 report and accounts came a miscellaneous collection called "other consumer products", a heading which more or less said "For Sale". Now the old Standard Brands beverage interests which make up most of this group of businesses seem likely to take Whitbread into the U.S. with a diversification of a sort that it has been looking for for years.

An announcement from the U.S. yesterday said that Nabisco had reached tentative agreement to sell its wine and spirits interests to Whitbread for $155m. The business comprises a bottler and distributor of U.S. spirits—which seems to have got badly overstocked with whisky in 1981—and an importer of European wines and spirits. The sale of another company, handling imported beers, is apparently under discussion, but is not covered by the $155m figure.

These beverage interests overall made some $37m pre-interest last year, on the estimates of brokers Hoare Govett who handled Nabisco's London listing a few months ago. Roughly a third of this may come from the beer side, so that—very approximately—Whitbread may be paying an earnings multiple in the mid to high teens for the rest.

The wine and spirit import side, which handles a number of top quality brands, is built rather on the lines of the Austin Nicholls business, formerly owned by Liggett and Myers, that Pernod Ricard swiped from right under the nose of Grand Metropolitan. It sounds an attractive platform for Whitbread in North America, and fits in well with—for example—the recent purchase of the Bordeaux wine merchant Calvet.

But in the absence of detailed financial information—Whitbread was saying nothing yesterday—it is hard to see exactly how good the deal is. All the same, the 7p fall to 116p in Whitbread's shares yesterday looks unduly suspicious.

### Linfood

Amidst the January snows, the Linfood Board must have been sweating as to whether its £11.6m pre-tax forecast would be met. In the event it has—just—although the £11.9m outcome has been boosted £150,000 by a lower level of exceptionals than expected, not to speak of £1m extra property profits. Strong growth at Dee and a better mix in Cash and Carry are largely responsible for the better trading performance.

The recovery will continue this year. With the disposal of the low-return distributed wholesale side, the balance sheet shows no net debt apart from the £10m convertible, so there may be £1½m saving in interest payable. The price reductions at Gateway are justifying themselves in terms of better volume, while the work on the hypermarkets and Cash and Carry should be yielding some early fruit. So the pre-tax outcome this year should comfortably exceed £15m.

But while the new Board can clean up the group and squeeze extra profits out of the present assets for the next couple of years, it may find it difficult to hold its own against the majors due to the awkward — very small or very big — size of its outlets. Linfood's new status as a cash generator is likely to encourage an acquisition policy, not necessarily in retailing. The shares rose 2p yesterday to 200p, well above the old Argyll offer price. The yield is 8.9 per cent.

### Industrial disease

Today the asbestos companies appear on television to defend themselves against the health charges made in last week's documentary by Yorkshire TV. However they present their case, the financial implications look significant, not only for the companies involved but for their insurers.

Asbestosis and related diseases are well known; but in the past three or four years claims have risen sharply for miners, black lung, the asbestosis suffered by other workers, and industrial deafness among others. A common factor in the diseases is their long gestation period. It takes on average 17 years for asbestos-related diseases to emerge. Several factors are behind the increase in claims. The advance in medical knowledge means diagnosis can be more accurate, and since the mid-1970s the UK courts have eased their restriction to raise the six-year limit on claims. The Yorkshire TV programme is likely to increase the number of claims, and perhaps the level of compensation generally considered satisfactory.

For asbestos companies the U.S. remains by far the most dangerous environment. The number of suits faced by some U.S. asbestos companies, the Manville Corporation, last year more than doubled to 9,300. It is costing Manville in excess of $15,000 to dispose of each suit, excluding legal fees and where a case goes to court the average judgment, pending appeal, against the company is above $200,000.

Turner and Newall nearly doubled its provision for health related payments last year to £3.9m and a good proportion of its exposure arises in the U.S., where it once manufactured. At a critical time for the company, a possible increase in its liabilities from this direction could be difficult to absorb. Cape Industries has walked away from U.S. claims and is safeguarded by the sale of its U.S. assets in 1979.

The great delay before claims are made means that insurance protection is an absolute jungle. T & N, for instance, may be able to pass on no more than a tenth of its liabilities to insurance companies. With claims arising on policies written two decades and more ago, there is often no evidence of cover, the wording of the policy may not be available, or there can be a time limit. In particular it is often not clear whether an insurer is liable with respect to the time at which a disease is incurred or only when a claim is made.

The insurance industry will no doubt be quarrelling for years on how the liabilities should be apportioned. Unlike a hurricane or even computer leasing, however, the liabilities will be spread over years and around the world insurance community.

# Howell acts on cheap fare policies

By Hazel Duffy, Transport Correspondent

THE GOVERNMENT has decided to take greater powers over the level of public transport fares charged by metropolitan authorities, including the Greater London Council.

Legislation to be introduced early in the next parliamentary sesison will make it virtually impossible for metropolitan councils to have cheap fares policies such as that introduced by the GLC last year and declared illegal by the Law Lords in December.

The legislation will also give the Transport Secretary reserve powers to take control of London Transport away from the GLC if this should be deemed desirable.

The Government will not involve itself directly in fares policies. Instead, the Department of Transport will issue guidelines to authorities on the sort of subsidy level it considers realistic for them to receive for their public transport. In this way the Government will be clarifying the subsidy position which was made very uncertain by the Law Lords' ruling.

It will also be attempting to bring a degree of stability to fares policies

Mr David Howell, Transport Secretary, said in reply to a parliamentary question yesterday: "Although the legislation on subsidy has worked reasonably well in the past, it has not prevented excessive subsidies by the metropolitan county councils . . . It is already clear that some authorities may still be contemplating unrealistic subsidy policies

The transport plans for 1983-84 will become the basis for the level of central government subsidy agreed by the Department. If, however, a metropolitan council persists in pursuing a cheap fares policy by making up the difference in subsidy from the ratepayers, it will risk being referred to the district auditor or being taken to court by the ratepayers.

Mr Howell is also making it clear that if the GLC presents a version of its cheap fares policy to the Government in the autumn, he will have the power to take London Transport away from the GLC.

# Beirut bombed for fifth day

BY OUR FOREIGN STAFF

ISRAEL BOMBED West Beirut yesterday for the fifth successive day following overnight artillery barrages and shelling from gunboats offshore. Several waves of aircraft struck the southern suburbs of the Lebanese capital during the afternoon raising huge palls of smoke and drawing ineffective fire from Palestinian gunners.

The intensified Israeli military pressure on the 6,000 Palestinian guerrillas encircled in Beirut came amid hectic diplomatic efforts to avert a threatened invasion of the city which would be certain to cause heavy casualties among the several hundred thousand Lebanese civilians in the capital.

Mr Philip Habib, the U.S. special negotiator, flew in to London yesterday for urgent talks with King Hussein of Jordan, who is on a private visit to the UK, and to brief Mr Francis Pym, the Foreign Secretary.

The American envoy is believed to have urged King Hussein to accept some of the Palestinian guerrillas if they could be persuaded to leave Beirut. Mr Habib has failed in the past few days to win similar acceptances from either Syria or Egypt. He later flew on to Israel.

The Arab states are insisting that the Lebanon crisis can only be eased through addressing the wider issue of an overall solution to the Palestinian problem. A six-member Arab League committee will meet in Saudi Arabia this week to discuss recent contacts with Western Governments.

The document signed by Mr Yasser Arafat, the chairman of the Palestine Liberation Organisation, in Beirut on Sunday was said by one Western diplomat yesterday to have brought the possibility of a negotiated settlement "tantalisingly close."

British officials said there was "nothing unhelpful" in Mr Arafat's willingness to accept all United Nations resolutions on Palestine. However the U.S. is believed to require a specific commitment from Mr Arafat that he accepts UN resolution 242 and thereby Israel's right to exist before it will believe there has been any substantive change in PLO policy.

A State Department official in Washington said similar PLO suggestions had been seen before "but they have never been considered sufficient" to meet the Administration's conditions for talking directly to the PLO.

Israel again poured scorn on any suggestion that the PLO might be prepared to change its attitude.

Mubarak attacks Israel, Page 3

Continued from Page 1

# Hire-purchase curbs ended

sumer electrical items, domestic appliances, cameras, jewellery, binoculars, clocks and watches, the deposit was one-fifth and the repayment period 30 months.

Lord Cockfield said that HP controls were originally part of a wider apparatus of quantitative controls on credit.

"Changes in the structure of the consumer credit market mean that they now contribute little to overall economic policy," he said.

Option and budget accounts were exempted from controls four years ago and credit cards have been able to expand outside these regulations.

Mr Hal Miller, Tory MP for Bromsgrove and Redditch and chairman of the all-party Motor Industry Group, welcomed the announcement. He though it would have a useful impact in view of the heavy hangover of supply of both new and used cars.

Demand would be boosted, helping both motor dealers and manufacturers. Abolition would not mean the end of deposits, but there would be a freer market.

Other MPs welcomed the impact on the motor industry, but were concerned that any increase in demand for other goods might lead to a further surge in imports. The latter point has worried some Whitehall advisers.

Continued from Page 1

# Two banks cut prime rates

tomorrow when it reveals its borrowing plans for the next big refunding in August.

The fall in U.S. prime rates will add to pressure on British clearing banks to cut the cost of overdrafts. Since they trimmed base rates by half a percentage point two weeks ago, Eurodollar interest rates have fallen by over two percentage points and another half percentage point cut in UK base rates is confidently expected, given the firm tone of sterling.

The Bank of England gave another downward nudge to British interest rates yesterday when it cut its money market intervention rates by another ⅛ across the board, although money market rates were not falling generally. This action, together with the substantial assistance given to the markets, was interpreted by dealers as a clear signal that the authorities want to see lower interest rates.

However, the UK clearing banks are reluctant to cut their base rates, partly for reasons of profitability and also because short-term rates—in particular the seven-day interbank rate which topped 13 per cent yesterday—remain high relative to other money market rates.

In the foreign exchange markets, the U.S. dollar recovered some of its recent losses as Eurodollar interest rates began to firm. The dollar closed at DM 2.409 against DM 2.395 and rose to Y251 against the Japanese currency. Its effective exchange rate, as measured by the Bank of England, rose 0.4 to 118.7.

The pound was one of the few major currencies to rise against the U.S. currency, albeit only marginally to $1.7650. The pound's effective exchange rate rose 0.2 to 91.2.

## Weather

UK TODAY

E. England
Rather cloudy, bright intervals but scattered showers. Max 21C (70F).

Midlands, W. England, Wales, S. Scotland and N. Ireland
Dry with variable cloud and sunny intervals. Max 21C (73F).

N. Scotland
Rather cloudy, drizzle in places. Max 17C (63F).

Outlook: Little change.

WORLDWIDE

| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 26 | 79 | L. Ang.† | C | 18 | 65 |
| Algiers | S | 32 | 90 | Luxmbg. | C | 18 | 61 |
| Amsdm. | F | 18 | 64 | Luxor | S | 38 | 100 |
| Athens | S | 30 | 86 | Madrid | S | 32 | 90 |
| Bahrain | S | 36 | 97 | Majorca | S | 30 | 86 |
| Barclna. | S | 28 | 82 | Malaga | C | 21 | 70 |
| Beirut | — | — | — | Malta | S | 27 | 81 |
| Belfast | F | 18 | 64 | Mchstr. | C | 20 | 68 |
| Belgrd. | F | 18 | 65 | Melbne. | C | 13 | 55 |
| Berlin | F | 18 | 64 | Mex. C.† | — | — | — |
| Biarritz | C | 21 | 70 | Miami† | S | 26 | 79 |
| Bmghm. | C | 15 | 59 | Milan | S | 28 | 82 |
| Blackpl. | C | 15 | 59 | Montrl.† | C | 21 | 70 |
| Bordx. | S | 24 | 75 | Moscow | S | 20 | 68 |
| Boulgn. | S | 20 | 68 | Munich | S | 15 | 59 |
| Bristol | C | 19 | 66 | Nairobi | C | 18 | 64 |
| Brussels | C | 19 | 66 | Naples | S | 29 | 84 |
| Budpst. | R | 18 | 64 | Nassau | — | — | — |
| Cairo | — | — | — | Newcsl. | C | 16 | 61 |
| Cardiff | C | 17 | 63 | N. York† | S | 26 | 79 |
| Cas'b'ca | S | 23 | 73 | Nice | S | 27 | 81 |
| Cape T. | S | 14 | 57 | Nicosia | — | — | — |
| Chicg.† | F | 21 | 70 | Oporto | S | 19 | 66 |
| Cologne | C | 18 | 64 | Oslo | S | 21 | 70 |
| Cpnhgn. | C | 18 | 64 | Paris | C | 17 | 63 |
| Corfu | F | 29 | 84 | Perth | C | 16 | 59 |
| Denver† | S | 21 | 70 | Prague | C | 16 | 59 |
| Dublin | C | 18 | 64 | Reykjvk. | R | 11 | 52 |
| Dbrvnk. | F | 26 | 79 | Rhodes | S | 29 | 84 |
| Ednbgh. | C | 15 | 59 | Rio J'o | — | — | — |
| Faro | S | 26 | 79 | Rome | S | 27 | 81 |
| Florence | S | 26 | 79 | Salzbrg. | R | 16 | 59 |
| Frankft. | S | 24 | 75 | S'ncisco | — | — | — |
| Funchal | F | 23 | 73 | S. Moritz | — | — | — |
| Geneva | S | 25 | 77 | Singapr. | S | 32 | 90 |
| Gibraltar | S | 25 | 77 | S'ngo | — | — | — |
| Glasgow | C | 16 | 61 | Stckhm. | S | 15 | 59 |
| G'nsey | F | 20 | 68 | Strasbg. | C | 18 | 61 |
| Helsinki | F | 18 | 64 | Sydney | C | 16 | 61 |
| H. Kong | F | 32 | 90 | Tangier | S | 27 | 81 |
| Innsbrk. | C | 17 | 63 | Tel Aviv | S | 28 | 82 |
| Invrnss. | C | 17 | 63 | Tenerife | F | 37 | 99 |
| I.o.Man | — | — | — | Tokyo | R | 23 | 73 |
| Istanbul | S | 28 | 82 | Toronto† | R | 21 | 70 |
| Jersey | F | 20 | 68 | Tunis | S | 31 | 88 |
| Jo'burg | S | 14 | 57 | Valencia | S | 30 | 86 |
| L. Plms. | F | 25 | 77 | Venice | S | 26 | 79 |
| Lisbon | S | 28 | 82 | Vienna | F | 23 | 73 |
| Locarno | S | 25 | 77 | Warsaw | F | 27 | 81 |
| London | C | 18 | 64 | Zurich | F | 15 | 59 |

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.